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WATER SUPPLY CONTRACTORS

LEGEND

		MAXIMUM ANNUAL ENTITLEMENT Acre Feet
	FEATHER RIVER AND UPPER FEATHER RIVER	
1	Plumas County Flood Control & Water Conservation District	2,700
2	Butte County	27,500
3	Last Chance Creek Water District (Annual Interim Contract)	0
4	City of Yuba City	5,600
	Subtotal	39,800
	NORTH BAY	
5	Napa County Flood Control & Water Conservation District	25,000
6	Solano County Flood Control & Water Conservation District	42,000
	Subtotal	67,000
	SOUTH BAY	
7	Alameda County Flood Control & Water Conservation District-Zone 7	46,000
8	Alameda County Water District	42,000
9	Santa Clara County Flood Control & Water District	100,000
	Subtotal	188,000
	SAN JOAQUIN VALLEY	
10	Oak Flat Water District	5,700
11	Empire West Side Irrigation District	3,000
12	Tulare Lake Basin Water Storage District	110,000
13	Hacienda Water District	8,500
14	Dudley Ridge Water District	57,700
15	Devils Den Water District	12,700
16	Kern County Water Agency	1,153,400
	Subtotal	1,351,000
	CENTRAL COASTAL	
17	San Luis Obispo County Flood Control & Water Conservation District	25,000
18	Santa Barbara County Flood Control & Water Conservation District	57,700
	Subtotal	82,700
	SOUTHERN CALIFORNIA	
19	Mojave Water Agency	50,800
20	Antelope Valley-East Kern Water Agency	138,400
21	Palmdale Irrigation District	17,300
22	Littlerock Creek Irrigation District	2,300
23	Crestline-Lake Arrowhead Water Agency	5,800
24	San Bernardino Valley Municipal Water District	98,000
25	Desert Water Agency	38,100
26	Coachella Valley County Water District	23,100
27	San Gorgonio Pass Water Agency	17,300
28	Ventura County Flood Control District	20,000
29	Upper Santa Clara Valley Water Agency	26,500
30	San Gabriel Valley Municipal Water District	28,800
31	City of West Covina	11,500
32	The Metropolitan Water District of Southern California	2,000,000
	Subtotal	2,477,900
	Total	4,206,400

State of California
THE RESOURCES AGENCY
Department of Water Resources

Bulletin No. 141

THE CALIFORNIA STATE WATER PROJECT

WATER SUPPLY CONTRACTS

Volume I

NOVEMBER 1965

EDMUND G. BROWN
Governor
State of California

HUGO FISHER
Administrator
The Resources Agency

WILLIAM E. WARNE
Director
Department of Water Resources

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LOCATION OF WATER SUPPLY CONTRACTING AGENCIES

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PLATE

Frontispiece

LOCATION OF WATER SUPPLY CONTRACTING AGENCIES

STATE OF CALIFORNIA
THE RESOURCES AGENCY
EDMUND G. BROWN, Governor
HUGO FISHER, Administrator, The Resources Agency

DEPARTMENT OF WATER RESOURCES
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John E. Hunt
Donald R. Sandison
John R. Teerink
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Helen T. Moss, Secretary

DIVISION OF OPERATIONS

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MARION R. WALKER, Ventura

WILLIAM M. CARAH
Executive Secretary

ORVILLE L. ABBOTT
Engineer

INTRODUCTION

The California State Water Project is being constructed to supplement and complement the service provided by facilities of local districts and municipalities and of the Federal Government in meeting the water supply needs of California until approximately the year 1990. Presently authorized facilities of the project include reservoirs and related facilities in the Feather River and Eel River stream systems, and in the San Joaquin Valley at the San Luis site near Los Banos which will conserve waters that now waste to the ocean. The project also includes pumping plants, canals, pipelines, and regulatory reservoirs to transport the conserved supply to places of use within Feather River Basin areas, the North and South San Francisco Bay areas, the San Joaquin Valley, the Central Coastal areas, and Southern California.

Funds for financing the construction costs of the State Water Project were provided by the California Water Resources Development Bond Act, which was ratified by the people of California in the General Election of November 8, 1960. Pursuant to this act, the State Central Valley Project Act, and other applicable laws, the State of California through the Department of Water Resources had executed as of May 1, 1965, 31 long-term water supply contracts with agencies in the State for repayment of costs of the project. The term of the contracts is a period of at least 75 years.

The locations of the water supply contracting agencies are shown on the Frontispiece. General information relating to each agency; including type of water service, maximum annual entitlement, area, and population; is shown in Table 1. Sixty-six percent of the State's population live within the total area encompassed by these agencies.

The first of the 31 water supply contracts was executed with The Metropolitan Water District of Southern California on November 4, 1960. This is sometimes referred to as the "Prototype Contract" since one of its key provisions was that all other contracts executed for delivery of the yield of the State Water Project should be substantially uniform with respect to basic terms and conditions. Four subsequent contracts were executed with public agencies using substantially the same format as that employed in the Prototype Contract. These agencies were the San Bernardino Valley Municipal Water District; Alameda County Flood Control and Water Conservation District, Zone 7; Alameda County Water District; and Santa Clara County Flood Control and Water District.

The Director of the Department of Water Resources approved the "Standard Provisions for Water Supply Contract" on August 3, 1962. This document consists of the preamble and the portions of the 44 articles of the Prototype Contract which each contract must contain. The Standard Provisions have been used in each of the 26 contracts signed after August 3, 1962. Special contract provisions pertaining only to the contracting agency which signed the contract are included in Article 45 following the Standard Provisions.

Each water supply contract contains the following five items of information unique to the agency signing the contract:

(1) Date of contract;

(2) Agency's principal place of business;

(3) Estimated year of initial water delivery;

(4) Date of requests as to delivery structures; and

(5) Limit on instantaneous rate of delivery.

This information is included in the mimeographed bodies of the first five contracts. The 26 contracts utilizing the Standard Provisions have blanks in which the information has been inserted.

These five items of information for each contract are presented in Table 2.

Each water supply contract contains a number of tables which are identified by the letters A through G. The information covered in each table is as follows:

Table A	Annual entitlements
Table B	Allocated proportion of costs of the project transportation facilities
Table C	Projected allocation of capital costs of the project transportation facilities
Table D	Capital cost components of the Transportation Charge
Table E	Minimum operation, maintenance, power, and replacement components of Transportation Charge
Table F	Variable operation, maintenance, power, and replacement components of Transportation Charge
Table G	Payment schedule of the Transportation Charge

Table A is complete in each contract. Table B is complete only to the extent that it contains the designations of applicable aqueduct reaches. The remaining tables are left blank since the values covered are redetermined annually. Tables B through G are completed on or before July 1 of each year for each applicable contractor as accurately as is possible using then current project

information. The revised tables are furnished to each contractor along with the annual statement of charges for payment during the following year.

The 26 contracts utilizing the standard contract provisions contain in addition to Tables A through G, Tables H and I. The latter two tables contain a description of the project transportation facilities and the aqueduct reaches thereof required for the delivery of project water to the contractor, respectively, and are complete in each contract.

The tables are scattered through the body of the first five contracts. The tables are grouped together at the ends of the contracts utilizing the Standard Provisions.

This publication, currently consisting of two volumes, contains each of the 31 long-term water supply contracts reproduced in whole or in part. Each contract is followed by all amendments to it which were executed prior to May 1, 1965. Each contract is preceded by a data sheet presenting factual information concerning the contracting agency as well as the previously mentioned five items of information unique to the agency. The reverse side of these data sheets may be used for recording the dates and a brief summary of any future contract amendments which may be executed. It is presently contemplated that additional volumes of this publication will be published from time to time. Each future volume will contain all contracts and contract amendments executed subsequent to the time of preparation of the immediately preceeding volume.

Volume I contains complete reproductions of the first five long-term water supply contracts executed by the State. The

format of these first contracts, as explained earlier, differs from those that followed.

Volume II contains the essential parts of each of the 26 contracts which utilize the Standard Provisions. These provisions and the format of Tables B through I are identical in each of these contracts, except for those differences previously pointed out. These items are, therefore, presented only once in Volume II.

Pages in both volumes are numbered consecutively in the lower outside corner of each page. Numbers in the center of pages are the same as those appearing in the original document.

ALAMEDA COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT, ZONE 7

Location and Size

Zone 7 of the Alameda County Flood Control and Water Conservation District is located in the southern part of Alameda County. As of July 1, 1964, it had an area of 272,000 acres and an estimated population of 39,700.

Water Supply and Utilization

The major portion of the water used within Zone 7 at present is pumped from the underlying ground water basin with the balance coming from the South Bay Aqueduct. In 1960 it was estimated that 72 percent of the water used in the Zone was used for agricultural irrigation. The water use pattern is rapidly changing, however, and by 1990 it is estimated that only about 13 percent of the Zone's water supply will be used for that purpose.

Items of Contract Information Unique to Agency

Date of Contract - Preamble

November 20, 1961

Agency's Principal Place of Business - Preamble

Hayward

Estimated Year of Initial Water Delivery - Article 6(a)

USBR 1962
Project 1967

Date of Request as to Delivery Structures - Article 10(b)

December 31, 1961

Limit on Instantaneous Rate of Delivery - Article 12(c)

80 cfs (Increased by Amendment No. 1 to 92 cfs.)

NOTES AND COMMENTS

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT FOR A WATER SUPPLY FOR ZONE NO. 7

November 20, 1961

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STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
FOR A WATER SUPPLY FOR ZONE NO. 7

THIS CONTRACT, made this 20th day of November, 1961, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Alameda County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Hayward, California, acting on behalf of Zone Seven of such District herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State for Zone Seven of its territory;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. Definitions. When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) "Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) "Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) "Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) "Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) "Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined, below the total of the maximum annual entitlements of all contractors

(i) "Project transportation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) The following facilities specified in subparagraph (2) thereof: The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a South Bay Pumping Plant, to the extent required for water transportation as determined by the State, and a South Bay Aqueduct extending to terminal reservoirs in the County of Alameda but not including any portion of Del Valle Reservoir which may be allocated to conservation of water from Arroyo Del Valle Watershed.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) "Project water" shall mean water made available for delivery to the contractors by the project conservation facilities and by the transportation facilities included in the System.

(k) "Bureau - State Contract" shall mean any contract or contracts between the United States and the State providing for delivery of water by the Bureau of Reclamation into project transportation facilities for subsequent delivery to contractors.

(l) "Bureau water" shall mean water purchased by the State from the United States Bureau of Reclamation under the Bureau - State contract, and made available for delivery to the contractors by the transportation facilities included in the System.

(m) "Bureau agricultural water" shall mean Bureau water used primarily in the commercial production of plant crops or livestock.

(n) "Bureau municipal, industrial and domestic water" shall mean Bureau water other than Bureau agricultural water.

(o) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(p) "Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(q) "Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(r) "Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the total of the maximum annual entitlements of all contractors, or in addition to the minimum project yield, if greater than said total, and for meeting local needs.

(s) "Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the total of the maximum annual entitlements of all contractors, or in excess of the minimum project yield, if greater than said total.

(t) "Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(u) "Bureau water year" shall mean the 12-month period commencing March 1 of each year.

(v) "Year of initial project water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(w) "Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimel fraction to five places.

(x) "Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(y) "Project repayment period" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after November 8, 1960, first expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(z) "Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) "Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(bb) "Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(cc) "Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(dd) "Area of origin statutes" shall mean Section 10505 and Sections 11460 through 11463 of the Water Code as now existing or hereafter amended.

(ee) "Zone Seven" shall mean the area in eastern Alameda County designated as Zone No. 7 on the records of the Alameda County Flood Control and Water Conservation District.

2. Term of Contract. This contract shall become effective on the date first above written and shall remain in effect throughout the project repayment period, or for seventy-five (75) years, whichever period is longer.

3. Validation. Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. Option for Continued Service. By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

(1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.

(2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.

(3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.

(4) Retention of the same chemical quality objective provision as is set forth herein.

(5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements; Interim Service of Bureau Water.

(a) The year of initial Bureau water delivery to the District is presently estimated to be 1962. The year of initial project water delivery is presently estimated to be 1967. To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Each year prior to the year of initial project water delivery to the District and commencing in 1962, which year shall correspond to year "1" in Table A, included in subdivision (c) of this article, the State, to the extent Bureau water is available to the State, shall make Bureau water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That such service of Bureau water shall be subject to all applicable terms and conditions of this contract governing the service of project water, unless otherwise specifically provided; to all applicable terms and conditions of the Bureau-State Contract; and to the following special terms and conditions:

(1) In any year in which there may occur for any reason a shortage in the supply of Bureau water available for delivery to those contractors entitled to receive such water under their respective contracts, with the result that such supply is less than the total of the amounts of Bureau water to be made available to such contractors under their respective contracts in that year, the State shall, by amendment of Table A in the respective contract, reduce the amount of water to be made available for

delivery to each such contractor under its contract in that year in an amount which bears the same proportion to the amount of the shortage in said Bureau water supply that the amount of Bureau water otherwise to be made available for delivery to the contractor under its contract in that year bears to the total of the amounts of Bureau water otherwise to be made available for delivery to all such contractors under their respective contracts in that year, all as determined by the State: Provided, That the State may apportion the available supply of Bureau water on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year.

(2) Bureau agricultural water delivered to the District pursuant to this contract shall not be furnished by the District to any excess land as hereinafter defined. As used in this subdivision (b) of Article 6, but not as used in Article 30, the term "excess land" shall mean that part of the irrigable land within the district in excess of one hundred-sixty (160) acres held in the beneficial private ownership of any one person and the term "nonexcess land" means all irrigable land which is not excess land. As a condition precedent to the right to receive water made available pursuant to this contract each owner of excess land shall be required to select his nonexcess land and to file in the office of the district and with the State, in duplicate, one copy thereof to be furnished by the State to the United States, his written designation and description thereof. Upon the failure of the landowner to do so the State shall make such designation and mail a notice thereof to such landowner. In the event the State fails to act within a reasonable period of time, such designation may be made

by the United States by notice to the State and the landowner. The landowner shall then be bound by such designation and the district shall furnish water provided under this contract only to the designated nonexcess land. A landowner may, with the consent of the United States, change the designation provided that an equal acreage of land previously designated as nonexcess shall become excess.

(c) Service of Bureau water to the District pursuant to subdivision (b) of this article shall cease in the year preceding the year of initial project water delivery to the District, except as provided in subparagraph (3) of that subdivision. Commencing with the year of initial project water delivery to the District, the State each year shall make project water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That if the District receives service of Bureau water during the year of initial project water delivery to the District pursuant to subparagraph (3) of subdivision (b) of this article, the amount of project water made available for delivery to the District in said year shall be only that portion of the amount of water designated in Table A for said year which is not determined by the State to be Bureau water pursuant to said subparagraph (3). The amount of water designated in Table A for the year of delivery corresponding to the year of initial project water delivery to the District, less any portion thereof which is determined by the State to be Bureau water pursuant to subparagraph (3) of subdivision (b) of this article, and the amounts of water designated in Table A for all succeeding years are referred to in this contract as the District's annual entitlements and shall be subject to change as provided in Article 7(a).

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY TO ZONE 7 OF
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Amount in Acre-feet
1	1,000
2	2,500
3	4,000
4	4,500
5	5,000
6	6,200
7	7,500
8	8,800
9	10,000
10	11,200
11	12,400
12	13,600
13	14,800
14	16,000
15	17,200
16	18,400
17	19,600
18	20,800
19	22,000
20	23,000
21	24,000
22	25,000
23	26,000
24	27,000
25	28,000
26	29,000
27	30,000
28	31,000
29	32,000
30	34,000
31	36,000
32	38,000
33	40,000
and each succeeding year thereafter, for the term of this contract:	40,000

(d) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the District in such manner and at such times that said delivery can commence in or before 1967, and can continue in the amounts designated in Table A.

7. Change in Annual Entitlements; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A, included in Article 6(c). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in Table A by amendment thereof: Provided, That no such change shall be approved if, in the judgment of the State, it would impair the financial feasibility of the project facilities.

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 40,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

8. Option to Increase Maximum Annual Entitlement.

(a) In the event that the maximum annual entitlements to water from the South Bay Aqueduct under all contracts executed by the State on or before November 30, 1961, do not aggregate 210,000 acre-feet per year, the State shall immediately notify all contractors served by the South Bay Aqueduct, and each such contractor may request that it become entitled to any amount of the 210,000 acre-feet per year of water not contracted for. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(b) In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify all contractors, and each contractor may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the contractor's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the contractor

receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the contractors under this option on or before September 30, 1964, each contractor may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(c) Upon the approval of a request or upon the exercise of an option provided for in this article, the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Delivery Water Made Available

Project water made available to the District pursuant to Article 6 shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: Provided, That in such event, the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before December 31, 1961, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure not yet constructed, or by March 1, 1962, for any delivery structure under construction, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. Measurement of Water Delivered.

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, or on March 1, 1962 for devices already under construction, an amount of money estimated by the State to be sufficient to cover such costs.

12. Amounts, Times, and Rates of Delivery.

(a) The amounts, times, and rates of delivery of project water to the District during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 6(c), 7(b), 10, and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) In no event shall the State contract to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision

being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding eighty (80) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(c), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. Responsibilities for Delivery and Distribution of Water.

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. Temporary Discontinuance or Reduction of Delivery.

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside of Zone Seven which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System; project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside of Zone Seven without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside of Zone Seven.

(b) While this contract is in effect, no change shall be made in the organization of the District or the boundaries of Zone Seven which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the boundaries of Zone Seven.

(c) In the event of annexation to Zone Seven of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such

other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement, respectively, contracted for by said contractor for use in said annexed territory. In the event of annexation to Zone Seven of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement, respectively, allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(c), and Article 7 (b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlements shall in all respects be subject to the terms and conditions of this contract.

(d) The State shall make no other contract to supply project water or Bureau water for use within the boundaries of Zone Seven without the consent of the Board of Directors of Zone Seven.

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16. Continuity and Dependability of Water Supply.

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial project water delivery to the District, the State shall submit to the District at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond

funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That prior to December 31, 1961, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

(b) The State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(c), 7(b),

12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's annual entitlement for the respective year to be put to municipal use and eighteen percent (18%) of that portion of the District's annual entitlement for the respective year to be put to agricultural use, all as determined by the State, and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's maximum annual entitlement to be put to municipal use in the respective year and eighteen percent (18%) of that portion of the District's maximum annual entitlement to be put to agricultural use in the respective year, all as determined by the State: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each such reservoir of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and

specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made

prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the capital cost component of the Transportation Charge, but the District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with

such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining, and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

(f) Each aqueduct reach shall have at least the capacity specified in Article 23.

18. Shortage in Water Supply.

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State; Provided, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual

entitlements of all contractors for that year, all as determined by the State: Provided, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield below the total of the maximum annual entitlements of all contractors, or if for any other reason there is such reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A, included in Article 6(c) and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: Provided, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A, included in

Article 6(c), and of Article 7(b), respectively, to correspond to to the reduced supply of project water to be made available to the District: Provided, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto

against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or (c) of this article, circumstances arise which, in the judgment of the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16(c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

(g) The provisions of this article, with the exception of subdivision (f) hereof, shall not apply to shortages in the supply of Bureau water available for delivery to the contractors.

19. Water Quality.

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR ALAMEDA COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total Dissolved Solids	ppm.	440	220	-
Total Hardness	ppm.	180	110	-
Chlorides	ppm.	110	55	-
Sulfates	ppm.	110	20	-
Sodium Percentage	%	50	40	-
Fluoride	ppm.	-	-	1.5
Lead	ppm.	-	-	0.1
Selenium	ppm.	-	-	0.05
Hexavalent Chromium	ppm.	-	-	0.05
Arsenic	ppm.	-	-	0.05
Iron and Manganese together	ppm.	-	-	0.3
Magnesium	ppm.	-	-	125.0
Copper	ppm.	-	-	3.0
Zinc	ppm.	-	-	15.0
Phenol	ppm.	-	-	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

(d) The provisions of this article shall not apply to Bureau water made available for delivery to the District.

20. Suspension of Service. In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: Provided, That during such period the District shall remain obligated to make all payments required under this contract: Provided further, That notwithstanding the above notice provision, no Bureau water shall be furnished to the District pursuant to Acticle 6(b) if the District is in arrears in the payment to the State of any charges of the State levied or established by the State hereunder and necessary for the purpose of raising revenues to meet the payment by the State to the United States of the State's obligation under the Bureau-State contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. Sale of Surplus Water. If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs

of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

21.5 Bureau Water Charge.

(a) The payments to be made by each contractor receiving service of Bureau water shall include an annual charge, during the period of such service, designated as the Bureau Water Charge. This charge shall return to the State during such period all amounts paid to the Bureau by the State to obtain water for the contractor under the Bureau-State contract. For each contractor, the Bureau Water Charge shall be the sum of the following: (1) the product of $3.50 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau agricultural water as determined by the State; (2) the product of $10.00 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau municipal, industrial and domestic water as determined by the State; and (3) the cost of the pro-rata share of water lost from the project transportation facilities due to evaporation, leakage, seepage, or other causes, taking into account the quantities of Bureau agricultural water and Bureau municipal, industrial and domestic water made available for delivery to the contractor in the respective Bureau water year under its contract: Provided, That if in any year the amount of Bureau water to be made available for delivery to the contractor under its contract is reduced by reason of shortage as provided in Article 6(b)(1), the Bureau Water Charge shall be computed on the basis of such reduced amount. In computing the charge, the State shall determine the amounts of Bureau agricultural water and Bureau municipal,

industrial, and domestic water to be made available for delivery to the contractor on the basis of estimates of Bureau water use, taking into account measurements of past surface use of such water made pursuant to subdivision (c) of this article: Provided, That seventy - five percent (75 %) of all Bureau water delivered to the District under this contract and used for ground water recharge or storage shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water: Provided further, That seventy-five percent (75 %) of the amount of Bureau water made available for delivery to the District under this contract in the first year of such delivery shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water.

(b) The District's failure or refusal to accept delivery of Bureau water made available for delivery to it under Article 6(b) and Table A included in Article 6(c) shall not affect the computation of the Bureau Water Charge as provided for in subdivision (a) of this article and shall in no way relieve the District of its obligation to make payment of the charge, as so computed, pursuant to Article 29.

(c) The District shall measure separately, with equipment satisfactory to the State, Bureau water delivered to it for ground water recharge, Bureau agricultural water delivered to it for surface use, and Bureau municipal, industrial, and domestic water delivered to it for surface use, and shall keep and maintain accurate and complete records thereof. At any time or times, the State may inspect such measuring equipment, and the measurements and records taken therefrom.

(d) Obligations of the District arising out of, pursuant, or incidental to the Bureau-State contract shall constitute a general obligation of the District notwithstanding the default in the payment to the District by individual water users of assessments, tolls, or other charges levied by or owing to the District and the District agrees to use all powers and resources available to it under the laws of the State of California to collect the funds necessary to meet such obligations.

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation,

maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the project repayment period

all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1-r_1)(1+i)^{-1}+(c_2-r_2)(1+i)^{-2}+\ldots+(c_n-r_n)(1+i)^{-n}}{e_1(1+i)^{-1}+e_2(1+i)^{-2}+\ldots+e_n(1+i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs for the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and n appearing below c and r = The respective year of the project repayment period for which costs are included in the respective category, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components; the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

n used as an exponent = The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable costs-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I, the aqueduct from the Delta to San Luis

Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivision (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and

reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first

incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

23. Transportation Charge. The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17 (a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the

project transportation facilities are established as follows: Provided, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach	Major Features of Reach
Delta to Bethany Forebay:	Intake Canal Fish Protective Facilities Aqueduct Pumping Plant I Aqueduct (Including Interim Intake Canal and Interim Pumping Plant)
Bethany Forebay to Doolan-Livermore Junction:	South Bay Pumping Plant Aqueduct - min. capacity 300 cfs
Doolan-Livermore Junction to Patterson Reservoir:	Aqueduct - min. capacity 300 cfs Patterson Reservoir
Patterson Reservoir to Del Valle turnout:	Aqueduct - min. capacity 265 cfs
Del Valle Branch:	Del Valle Reservoir Del Valle Pumping Plant Aqueduct - min. capacity 108 cfs

24. Transportation Charge - Capital Cost Component.

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach, and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Aqueduct reach	Total for project transportation facilities				District participation				
	Total of maximum annual entitlements of all contractors, thousands of acre-feet per year [1/]	Total of maximum capacities in cubic feet [1/] per second [4/]	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars [2/]	Maximum annual entitlement, thousands of acre-feet per year [1/]	Ratio of maximum annual entitlement to total of maximum annual entitlements	Maximum capacity in cubic feet per second [1/]	Ratio of capacity to total capacity	Average of ratios
Delta through Bethany Forebay [3/]									
Bethany Forebay to Doolan-Livermore Junction									
Doolan-Livermore Junction through Patterson Reservoir									
Patterson Reservoir to Del Valle Turnout									
Del Valle Branch									

1/ As increased by an allowance to compensate for losses as provided in Article 24(b) (2).
2/ Based on values as of the end of the construction period.
3/ Costs allocated to water transportation.
4/ State capacity only.

prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation.

Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C

PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	

* Year in which State commenced construction of project transportation facilities., 1959.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The district's payment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2			
3			
4			
5**			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			

TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
75			
76			
77			
78			
79			
80			
TOTAL			

* Year in which the State commenced construction of the project transportation facilities, 1959.
** Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective

contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

(e) The District's allocated capital costs for the year 1962, pursuant to subdivision (c) of this article shall consist of the sum of the District's allocated capital costs for each year through December 31, 1962, and interest thereon, computed at the project interest rate and compounded annually.

25. Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component.

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E

TRANSPORTATION CHARGE-MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
1**	
2	
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and each succeeding year thereafter, for the term of this contract.	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commenced construction of the project transportation facilities, 1959.

26. Transportation Charge - Variable Operation, Maintenance, Power, and Replacement Component.

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of

water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article

for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F

TRANSPORTATION CHARGE-ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

* Payments start with year of initial water delivery.

** Year in which State commenced construction of project transportation facilities, 1959.

27. Transportation Charge - Payment Schedule. The amount to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a), which Table G shall constitute a summation of Tables D, E, and F: Provided, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G

PAYMENT SCHEDULE
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	
1*				
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TABLE G (Continued)

PAYMENT SCHEDULE
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
43				
44				
45				
46				
47				
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50				
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* Year in which State commenced construction of project transportation facilities, 1959.

** Year of first payment.

28. Transportation Charge - Redetermination. The State shall redetermine the values and amounts set forth in the tables included in Articles 24 through 27 of this contract in 1962 and each year thereafter in order that the Transportation Charge to the District and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Article 23, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of the tables included in Articles 24 through 27 shall be prepared by the State and attached to this contract as amendments of those articles respectively.

29. Time and Method of Payment.

(a) Payments by the District under the Bureau Water Charge shall commence in the year when Bureau water is first made available for delivery to the District pursuant to Article 6(b).

(b) Payments by the District under the Delta Water Charge shall commence in the year of initial project water delivery to the District.

(c) Payments by the District under the capital cost component of the Transportation Charge shall commence in 1963.

(d) Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed, or in the year of initial water delivery, whichever is earlier.

(e) Payments by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(f) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) The Bureau Water Charge to the District for the next succeeding Bureau water year; (2) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power, and

replacement components of the Delta Water Charge and Transportation Charge; (3) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (4) the total charges to the District for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): Provided Further, that the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(g) The District shall pay to the State, on or before February 1 of each year, commencing as provided in subdivision (a) of this article, one-half (1/2) of the Bureau Water Charge to the District for the Bureau water year as stated pursuant to subdivision (f) of this article, and shall pay the remainder of said charge prior to the time that the amount of Bureau water made available for delivery to the District under its water delivery schedule for that 12-month period, established pursuant to Article 12, equals the amount for which payment has been made, but in any event not later than July 1 of that year.

(h) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the District for the year under the capital cost component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (f) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

(i) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (f) of this article.

(j) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (f) of this article, as such charges as stated in such statement.

(k) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (f) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. Surcharge for Excess Use of Project Water.

(a) As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to pay capital costs properly chargeable to energy generation and the costs of operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \ldots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \ldots + e_n(1+i)^{-n}}$$

where:

i = The project interest rate.

c = The projected annual power credit accrued during the respective year of the project repayment period.

1, 2, and n appearing below c = The respective year of the project repayment period during which the power credit is accrued, n being the last year of the project repayment period.

e = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements occur, n being the last year of the project repayment period.

n used as exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2.00 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The state shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or

decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the retail agency on forms prescribed

and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same

proportion to the total amount of water so used on that excess land during such year as the total amount of water applied within that area during such year, less the total amount of nonproject water so applied during such year, bears to the former amount.

(3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

(f) Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) In the event that any retail agency or other agency by, through, or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (e) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through, or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (c) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent

jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

(j) The provisions of this article shall not apply to Bureau water as defined in Article 1(l).

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: Provided, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. Obligation of District to Make Payments.

The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(c) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

34. Obligation of District to Levy Taxes and Assessments.

(a) Taxes or assessments levied by the governing body of the District for the purpose of meeting the obligations of this contract shall be enforced and collected by all officers of the District or Zone Seven charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(b) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(c) In the event of failure, neglect, or refusal of any officer of the District or Zone Seven to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. Remedies Not Exclusive. The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. Amendments. This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. Such amendments may provide for deferred payment of the capital cost component of the transportation charge subject to the provisions of Article 45 of this contract. The State shall promptly furnish the District with copies of all other contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

37. Reservation With Respect to State Laws. Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. Opinions and Determinations. Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. Contracting Officer of the State. The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. Successors and Assigns Obligated. This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. Assignment. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. Waiver of Rights. Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources

P. O. Box 388

Sacramento 2, California

and the State shall address all notices to the District as follows:

Alameda County Flood Control and
Water Conservation District

224 West Winton Avenue

Hayward, California

44. Maintenance and Inspection of Books, Records, and Reports.

(a) During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

(b) The district shall furnish to the Bureau of Reclamation a report on crops raised and agricultural and livestock products produced on the land within Zone Seven. This report shall be furnished to the Regional Director, Region 2, Bureau of Reclamation, Sacramento, annually on or before December 31 for each year in which Bureau water is received, and a copy shall be provided to the State.

45. (a) Contracts executed by the State for a dependable supply of project water from the South Bay Aqueduct shall be substantially uniform with respect to basic terms and conditions.

(b) Contracts executed by the State for a dependable supply of project water shall be in substantial conformity with the provisions of the water supply contract between the State and The Metropolitan Water District of Southern California dated November 4, 1960, except as variations are permitted by Article 45 of that contract.

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA

By _____
Governor

Approved as to legal form and sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

ZONE NO. 7, ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

ATTEST:

_____
Secretary, Board of Directors

By _____
Chairman, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a political subdivision of the State of California

ATTEST:
JACK G. BLUE
County Clerk and Ex-Officio Clerk of the Board of Supervisors of Alameda County Flood Control and Water Conservation District, California

By _____
Deputy

By _____
Chairman, Board of Supervisors

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1 TO
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT FOR A WATER SUPPLY FOR ZONE NO. 7

THIS CONTRACT, made this 30th day of December, 1963, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Alameda County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Hayward, California, herein referred to as the "District,"

WITNESSETH, That:

WHEREAS, The State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, The State and the District have entered into a water supply contract, dated November 20, 1961, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

WHEREAS, The State and the District are desirous of making certain changes and additions to the above-mentioned contract, while otherwise continuing the contract in full force and effect;

NOW, THEREFORE, It is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Article 6 is amended by addition of subparagraph (3) at the end of subsection (b) to read as follows:

(3) Service of Bureau water to the District shall extend into the year of initial project water delivery to the District for any portion thereof in which project water is not available for delivery to the District: Provided, That an appropriate portion of the amount of water designated in Table A for said year shall be determined by the State to be Bureau water for the purposes of this contract, in accordance with the District's delivery schedule for that year established pursuant to Article 12.

2. Table A entitled "Annual Amounts of Water to be Made Available for Delivery of Zone 7 of Alameda County Flood Control and Water Conservation District" as set forth in Article 6 is amended to read as follows: See Attached Sheet.

3. Article 7 is amended by amending subdivision (b) and adding subdivisions (c), (d), (e) and (f) as follows:

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 46,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY OF ZONE 7 OF
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Amount in Acre-feet
1	490
2	1,730
3	2,000
4	3,200
5	3,600
6	4,000
7	7,500
8	8,800
9	10,000
10	11,200
11	12,400
12	13,600
13	14,800
14	16,000
15	17,200
16	18,400
17	19,600
18	20,800
19	22,000
20	23,000
21	24,000
22	25,000
23	26,000
24	27,000
25	28,000
26	29,000
27	30,000
28	31,000
29	32,000
30	34,000
31	36,000
32	38,000
33	40,000
34	42,000
35	44,000
36	46,000
and each succeeding year thereafter, for the term of this contract:	46,000

over this amount, except as is provided for in Articles 8 and 15(c).

(c) Subject to approval by the State and similar rights of other contractors, the District may increase its annual entitlement for any year in which local water supplies available to the District are deficient due to climatic conditions up to the amount of its maximum annual entitlement: Provided, That such increase in delivery of water shall not interfere with the delivery of their respective annual entitlements to other contractors.

(d) In a year in which the District is unable to accept an amount of project water equal to its annual entitlement for that year because of above-average local water supply available to the District due to climatic conditions which occur subsequent to a year in which the District has increased its annual entitlement pursuant to subdivision (c) of this article, the District may make a reduction in its annual entitlement which shall not exceed the sum of all prior increases in annual entitlement made under subdivision (c) of this article less the sum of all prior decreases in annual entitlement made under this subdivision.

(e) In the event that, due to conditions of above-average local water supply available to the District because of favorable climatic conditions, the District in any year is unable to accept an amount of project water equal to its annual entitlement for said year as set forth in Table A, included in Article 6(c), the District shall remain obligated to make all payments required under this contract, as set forth in Article 9, including the capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge: Provided, That the

District's annual entitlement for said year is not reduced under the provision of subdivision (d) of this article.

(f) In a year in which local water supplies available to the District are deficient because of climatic conditions which occur subsequent to a year in which deliveries to the District have been decreased under subdivision (e) of this article the District may request and the State shall, consistent with similar rights of other contractors, deliver project water in amount greater than the annual entitlement set forth for that year in Table A included in Article 6(c) but not to exceed the sum of all prior amounts of project water not delivered to the District, but for which the District has paid the capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge under subdivision (e) of this article, less the sum of all prior deliveries of project water to the District under the provisions of this subdivision: Provided, That the sum of annual entitlement of the District for that year and the amount of water delivered to the District in excess of its annual entitlement under this subdivision shall not exceed the maximum annual entitlement of the District: Provided further, That such increase in delivery of water shall not interfere with the delivery to other contractors of their respective annual entitlements, but shall be paramount to the right of any contractor to receive surplus water.

4. Subdivisions (c) and (d) of Article 12 are amended to read as follows:

(c) In no event shall the State be obligated to deliver

water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding Ninety-two (92) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(c), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

5. Article 14(b) is amended to read as follows:

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or succeeding years to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

6. Article 21.5(a) is amended to read as follows:

(a) The payments to be made by each contractor receiving service of Bureau water shall include an annual charge, during the period of such service, designated as the Bureau Water Charge. This charge shall return to the State during such period all amounts paid to the Bureau by the State to obtain water for the contractor under the Bureau-State contract. Payments of this charge shall be made in advance so as to provide the State with sufficient funds to make payments to the Bureau as required under the Bureau-State contract. For each contractor, the Bureau Water Charge shall be the sum of the following: (1) the product of $3.50 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau agricultural water as determined by the State; (2) the product of $10.00 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau municipal, industrial and domestic water as determined by the State; and (3) the cost of the pro-rata share of water lost from the project transportation facilities due to evaporation, leakage, seepage, or other causes, taking into account the quantities of Bureau agricultural water and Bureau municipal, industrial and domestic water made available for delivery to the contractor in the respective Bureau water year under its contract: Provided, That if in any year the amount of Bureau water to be made available for delivery to the contractor under its contract is reduced by reason

of shortage as provided in Article 6(b)(1), the Bureau Water Charge shall be adjusted on the basis of such reduced amount. In computing the charge, the State shall determine the amounts of Bureau agricultural water and Bureau municipal, industrial and domestic water to be made available for delivery to the contractor on the basis of estimates of Bureau water use of such water made pursuant to subdivision (c) of this article: Provided, That seventy-five percent (75%) of all Bureau water delivered to the District under this contract and used for ground water recharge or storage shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial and domestic water: Provided further, That for purposes of the first year's advance payment seventy-five percent (75%) of the amount of Bureau water made available for delivery to the District under this contract shall be estimated to be Bureau agricultural water and the remainder Bureau municipal, industrial and domestic water; Provided further, That an adjustment in the following year's bill shall be made to the extent that the proportion between Bureau agricultural water and Bureau municipal, industrial and domestic water as determined pursuant to this subdivision differs from the estimate.

7. Article 22 is amended by addition of subdivision (h) to read as follows:

(h) Payments by the District pursuant to Articles 7(d) and 7(f) shall be such that the total payments to the State for the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge during the project

repayment period shall be the same as if no change in annual entitlement had been made under Article 7(c) and no decrease in water delivery had been made under Article 7(e).

(1) In the event of a decreased annual entitlement to the District under Article 7(d), the District shall, in addition to the Delta Water Charge computed pursuant to subdivision (d) of this article, pay an amount which shall be the product of the amount of the decrease in the annual entitlement and the difference in the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate year in which the annual entitlement was increased under Article 7(c). The appropriate year for which the annual entitlement was so increased shall be the earliest year not offset by a decrease of annual entitlement pursuant to Article 7(d).

(2) In a year in which an increased quantity of water is furnished under Article 7(f), the Delta Water Charge shall be computed pursuant to subdivision (d) of this article, and in addition the District shall pay an amount which shall be the product of such increase in quantity and the difference in the capital costs and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate previous year in which the delivery was less than the annual entitlement as provided under Article 7(e). The appropriate previous year shall be the earliest year in which such water was not delivered under Article 7(e) which has not been offset by increased delivery under Article 7(f).

(3) For the purposes of this subdivision, the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge prior to December 31, 1969, shall be deemed to be three dollars and fifty cents ($3.50) per acre-foot of water less the variable operation, maintenance, power and replacement component rate computed under subdivision (c) of this article.

8. The table of aqueduct reach descriptions at the end of Article 23 is amended to read as follows:

Aqueduct Reach	Major Features of Reach
Delta through Bethany Forebay:	Intake Canal Fish Protective Facilities Aqueduct Pumping Plant I Aqueduct (Including Interim Intake Canal and Interim Pumping Plant)
Bethany Forebay to Doolan-Livermore Junction:	South Bay Pumping Plant Aqueduct - min. capacity 300 cfs.
Doolan-Livermore Junction through Patterson Reservoir:	Aqueduct - min. capacity 300 cfs. Patterson Reservoir
Patterson Reservoir to Del Valle Branch:	Aqueduct - min. capacity 265 cfs.
Del Valle Branch:	Del Valle Reservoir Del Valle Pumping Plant Aqueduct - min. capacity 108 cfs.
Del Valle Branch to South Livermore Turnout:	Aqueduct - min. capacity 265 cfs.

9. The aqueduct reach descriptions in Table B in Article 24 are amended to read as follows:

Aqueduct Reach
Delta through Bethany Forebay3/
Bethany Forebay to Doolan-Livermore Junction
Doolan-Livermore Junction through Patterson Reservoir
Patterson Reservoir to Del Valle Branch
Del Valle Branch
Del Valle Branch to South Livermore Turnout

10. Article 24 is amended by addition of subsection (f) to read as follows:

(f) Notwithstanding any conflicting provisions of Article 24(c) of this contract, payments to be made by the District in the years 1964 through 1971 under the capital cost component of the Transportation Charge shall be the amount of annual interest on the capital costs allocated to the District computed in accordance with this contract. Outstanding capital costs allocated to the District for 1970 and prior years shall be paid by the District, commencing in 1972 so that such capital costs for each such year and interest thereon computed at the project interest rate and compounded annually shall be paid in equal annual installments ending in the fiftieth year following the year for which such costs were allocated to the District. Payment of capital costs allocated to the District in 1971 and subsequent years shall be as provided in Article 24(c).

11. Article 29(g) is amended to read as follows:

(g) The District shall pay to the State, on or before February 1 of each year, commencing as provided in subdivision (a) of this article, one-half (1/2) of the Bureau Water Charge to the District for the Bureau water year as stated pursuant to subdivision (f) of this article, and shall pay the remainder of said charge prior to the time that the amount of Bureau water made available for delivery to the District under its water delivery schedule for the 12-month period, established pursuant to Article 12, equals the amount for which payment has been made, but in any event not later than June 1 of that year.

12. Article 47 is added to the contract to read as follows:

47. Amendatory Provisions

a. Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements delivered to the contractor for agricultural and

ground water replenishment use during the preceding three years bears to the total amount of the annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such

service of surplus water as determined by the State. A surcharge shall be added to the rate for suplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration but any such contract shall be subject to the rights of all contractors to increase annual entitlements by amendment to Table A included in Article 6(c).

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

Approved as to legal form and sufficiency:

_____
Chief Counsel
Department of Water Resources

ZONE NO. 7, ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By _____
Chairman, Board of Directors

ATTEST:

_____
Secretary, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a political subdivision of the State of California

By _____
Chairman, Board of Supervisors

ATTEST:
JACK G. BLUE
County Clerk and Ex-Officio Clerk of the Board of Supervisors of Alameda County Flood Control and Water Conservation District, California

By _____
Deputy

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 2 TO THE WATER SUPPLY
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT FOR A WATER SUPPLY FOR ZONE NO. 7

THIS CONTRACT, made this 20th day of November 1964, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Alameda County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Hayward, California, herein referred to as the "District,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, the State and the District have entered into a water supply contract, dated November 20, 1961, as amended December 30, 1963, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, the State and the District are desirous of making certain changes and additions to such contract, while otherwise continuing the contract in full force and effect;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Subdivision (o) of Article 1 is amended to read as follows:

(o) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

2. Subdivision (a) of Article 16 is amended to read as follows:

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

3. Subdivision (a) of Article 47 is amended to read as follows:

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to

any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water

to which the contractor is entitled under this subdivision: Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the

State the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the District to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

4. Subdivision (b) is added to Article 47 to read as follows:

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the District in the amount of the surcharge forwarded by the District to the State in the preceding year.

(2) The District shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 47(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

For P. A. Towner
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

ATTEST:

_____
Secretary, Board of Directors

ZONE NO. 7, ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By _____
Chairman, Board of Directors

ATTEST:

JACK G. BLUE
Clerk, Board of Supervisors

JACK K. POOL, CHIEF CLERK

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a political subdivision of the State of California

By _____
Chairman, Board of Supervisors

ALAMEDA COUNTY WATER DISTRICT

Location and Size

Alameda County Water District is located in the southwestern part of Alameda County. The District, as of July 1, 1964, encompassed an area of about 64,000 acres and had an estimated population of 100,000.

Water Supply and Utilization

The District's water supply is presently obtained from the City of San Francisco, the South Bay Aqueduct and by pumping from the underlying ground water basin with the latter source accounting for the major portion of its supply. Water use in 1960 was about evenly divided between municipal and industrial uses. By 1990, however, it is estimated that agricultural use as compared to municipal and industrial use will be relatively insignificant.

Items of Contract Information Unique to Agency

Date of Contract - Preamble

November 29, 1961

Agency's Principal Place of Business - Preamble

Fremont

Estimated Year of Initial Water Delivery - Article 6(a)

USBR 1962
Project 1967

Date of Request as to Delivery Structures - Article 10(b)

December 31, 1961

Limit on Instantaneous Rate of Delivery - Article 12(c)

84 cfs

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND ALAMEDA COUNTY WATER DISTRICT FOR A WATER SUPPLY

November 29, 1961

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STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
ALAMEDA COUNTY WATER DISTRICT
FOR A WATER SUPPLY

THIS CONTRACT, made as of this 29th day of November, 1961, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Alameda County Water District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Fremont, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. Definitions. When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) "Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) "Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) "Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) "Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) "Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined, below the total of the maximum annual entitlements of all contractors

(i) "Project transportation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) The following facilities specified in subparagraph (2) thereof: The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a South Bay Pumping Plant, to the extent required for water transportation as determined by the State, and a South Bay Aqueduct extending to and beyond termina reservoirs in the County of Alameda but not including any portion of Del Valle Reservoir which may be allocated to conservation of water from Arroyo Del Valle Watershed.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) "Project water" shall mean water made available for delivery to the contractors by the project conservation facilities and by the transportation facilities included in the System.

(k) "Bureau - State Contract" shall mean any contract or contracts between the United States and the State providing for delivery of water by the Bureau of Reclamation into project transportation facilities for subsequent delivery to contractors.

(l) "Bureau water" shall mean water purchased by the State from the United States Bureau of Reclamation under the Bureau-State contract, and made available for delivery to the contractors by the transportation facilities included in the System.

(m) "Bureau agricultural water" shall mean Bureau water used primarily in the commercial production of plant crops or livestock.

(n) "Bureau municipal, industrial and domestic water" shall mean Bureau water other than Bureau agricultural water.

(o) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(p) "Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(q) "Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(r) "Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the total of the maximum annual entitlements of all contractors, or in addition to the minimum project yield, if greater than said total, and for meeting local needs.

(s) "Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the total of the maximum annual entitlements of all contractors, or in excess of the minimum project yield, if greater than said total.

(t) "Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(u) "Bureau water year" shall mean the 12-month period commencing March 1 of each year.

(v) "Year of initial project water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(w) "Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimel fraction to five places.

(x) "Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(y) "Project repayment period" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after November 8, 1960, first expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(z) "Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) "Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(bb) "Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(cc) "Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(dd) "Area of origin statutes" shall mean Section 10505 and Sections 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. Term of Contract. This contract shall become effective on the date first above written and shall remain in effect throughout the project repayment period, or for seventy-five (75) years, whichever period is longer.

3. Validation. Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. Option for Continued Service. By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

(1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.

(2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.

(3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.

(4) Retention of the same chemical quality objective provision as is set forth herein.

(5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements; Interim Service of Bureau Water.

(a) The year of initial Bureau water delivery to the District is presently estimated to be 1962. The year of initial project water delivery is presently estimated to be 1967. To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Each year prior to the year of initial project water delivery to the District and commencing in 1962, which year shall correspond to year "1" in Table A, included in subdivision (c) of this article, the State, to the extent Bureau water is available to the State, shall make Bureau water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That subject to the terms of the Bureau-State Contract, revisions may be made in the amounts of Bureau water to be made available to the District: Provided further, That such service of Bureau water shall be subject to all applicable terms and conditions of this contract governing the service of project water, unless otherwise specifically provided; to all applicable terms and conditions of the Bureau-State Contract; and to the following special terms and conditions:

(1) In any year in which there may occur for any reason a shortage in the supply of Bureau water available for delivery to those contractors entitled to receive such water under their respective contracts, with the result that such supply is less than the total of the amounts of Bureau water to be made available to such contractors under their respective contracts in that year, the State shall, by amendment of Table A in the respective

contract, reduce the amount of water to be made available for delivery to each such contractor under its contract in that year in an amount which bears the same proportion to the amount of the shortage in said Bureau water supply that the amount of Bureau water otherwise to be made available for delivery to the contractor under its contract in that year bears to the total of the amounts of Bureau water otherwise to be made available for delivery to all such contractors under their respective contracts in that year, all as determined by the State: Provided, That the State may apportion the available supply of Bureau water on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year.

(2) Bureau agricultural water delivered to the District pursuant to this contract shall not be furnished (within the meaning of the Bureau-State Contract) by the District to any excess land as hereinafter defined. As used in this subdivision (b) of Article 6, but not as used in Article 30, the term "excess land" shall mean that part of the irrigable land within the district in excess of one hundred-sixty (160) acres held in the beneficial private ownership of any one person and the term "nonexcess land" means all irrigable land which is not excess land. As a condition precedent to the right to receive water made available pursuant to this contract each owner of excess land shall be required to select his nonexcess land and to file in the office of the District and with the State, in duplicate, one copy thereof to be furnished by the State to the United States, his written designation and description thereof. Upon the failure of the landowner to do so the State shall make such designation and mail a notice thereof to such landowner. In the event the State fails to act within a reasonable period of time, such designation may be made

by the United States by notice to the State and the landowner. The landowner shall then be bound by such designation and the district shall furnish water provided under this contract only to the designated nonexcess land. A landowner may, with the consent of the United States, change the designation provided that an equal acreage of land previously designated as nonexcess shall become excess.

(c) Service of Bureau water to the District pursuant to subdivision (b) of this article shall cease in the year preceding the year of initial project water delivery to the District, except as provided in subparagraph (3) of that subdivision. Commencing with the year of initial project water delivery to the District, the State each year shall make project water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That if the District receives service of Bureau water during the year of initial project water delivery to the District pursuant to subparagraph (3) of subdivision (b) of this article, the amount of project water made available for delivery to the District in said year shall be only that portion of the amount of water designated in Table A for said year which is not determined by the State to be Bureau water pursuant to said subparagraph (3). The amount of water designated in Table A for the year of delivery corresponding to the year of initial project water delivery to the District, less any portion thereof which is determined by the State to be Bureau water pursuant to subparagraph (3) of subdivision (b) of this article, and the amounts of water designated in Table A for all succeeding years are referred to in this contract as the District's annual entitlements and shall be subject to change as provided in Article 7(a).

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY TO
ALAMEDA COUNTY WATER DISTRICT

Year	Total Annual Amount in Acre-feet
1	16,900
2	17,600
3	18,100
4	18,800
5	19,400
6	14,300
7	15,000
8	15,500
9	16,200
10	17,000
11	17,900
12	18,800
13	19,600
14	20,500
15	21,300
16	22,200
17	23,100
18	23,900
19	24,800
20	26,000
21	27,200
22	28,400
23	29,600
24	30,800
25	32,100
26	33,300
27	34,500
28	35,700
29	36,900
30	38,400
31	39,900
32	41,400
33	42,000
and each succeeding year thereafter, for the term of this contract:	42,000

(d) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the District in such manner and at such times that said delivery can commence in or before 1967, and can continue in the amounts designated in Table A.

7. Change in Annual Entitlements and Deliveries; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A, included in Article 6(c). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in Table A by amendment thereof: Provided, That no such change shall be approved if, in the judgment of the State, it would impair the financial feasibility of the project facilities.

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 42,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

(c) Subject to approval by the State and similar rights of other contractors, the District may increase its annual entitlement for any year in which local water supplies available to the District are deficient due to climatic conditions up to the amount of its maximum annual entitlement: Provided, That

such increase in delivery of water shall not interfere with the delivery of their respective annual entitlements to other contractors.

(d) In a year in which the District is unable to accept an amount of project water equal to its annual entitlement for that year because of above-average local water supply available to the District due to climatic conditions which occurs subsequent to a year in which the District has increased its annual entitlement pursuant to subdivision (c) of this article, the District may make a reduction in its annual entitlement which shall not exceed the sum of all prior increases in annual entitlement made under subdivision (c) of this article less the sum of all prior decreases in annual entitlement made under this subdivision.

(e) In the event that, due to conditions of above-average local water supply available to the District because of favorable climatic conditions, the District in any year is unable to accept an amount of project water equal to its annual entitlement for said year as set forth in Table A, included in Article 6(c), the District shall remain obligated to make all payments required under this contract, as set forth in Article 9, including the capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge: Provided, That the District's annual entitlement for said year is not reduced under the provisions of subdivision (d) of this article.

(f) In a year in which local water supplies available to the District are deficient because of climatic conditions which occurs subsequent to a year in which deliveries to the

District have been decreased under subdivision (e) of this article the District may request and the State shall, consistent with similar rights of other contractors, deliver project water in an amount greater than the annual entitlement set forth for that year in Table A included in Article 6(c) but not to exceed the sum of all prior amounts of project water not delivered to the District, but for which the District has paid the capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge under subdivision (e) of this article, less the sum of all prior deliveries of project water to the District under the provisions of this subdivision: Provided, That the sum of the annual entitlement of the District for that year and the amount of water delivered to the District in excess of its annual entitlement under this subdivision shall not exceed the maximum annual entitlement of the District: Provided further, That such increase in delivery of water shall not interfere with the delivery of their respective annual entitlements to other contractors.

8. Option to Increase Maximum Annual Entitlement.

(a) In the event that the maximum annual entitlements to water from the South Bay Aqueduct under all contracts executed by the State on or before November 30, 1961, do not aggregate 210,000 acre-feet per year, the State shall immediately notify all contractors served by the South Bay Aqueduct, and each such contractor may request that it become entitled to any amount of the 210,000 acre-feet per year of water not contracted for. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(b) In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify all contractors, and each contractor may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the contractor's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time, and to the extent that project water can be made available to the District through Project Transportation Facilities. Such option shall become effective on the date that the contractor

receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the contractors under this option on or before September 30, 1964, each contractor may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(c) Upon the approval of a request or upon the exercise of an option provided for in this article, the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Deliver Water Made Available

Project water made available to the District pursuant to Article 6 shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: Provided, That in such event, the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before December 31, 1961, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure not yet constructed, or by March 1, 1963, for any delivery structure under construction, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. Measurement of Water Delivered.

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, or on March 1, 1963, for devices already under construction, an amount of money estimated by the State to be sufficient to cover such costs.

12. Amounts, Times, and Rates of Delivery.

(a) The amounts, times, and rates of delivery of project water to the District during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 6(c), 7(b), 10, and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) In no event shall the State contract to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision

being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding eighty-four (84) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(c), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. Responsibilities for Delivery and Distribution of Water.

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. Temporary Discontinuance or Reduction of Delivery.

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District (including annexations subsequent hereto) which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District (including annexations subsequent hereto) without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate

agreements between the State, the District, and such other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement, respectively, contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement, respectively, allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(c), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlements shall in all respects be subject to the terms and conditions of this contract.

(d) The State shall make no other contract to supply water for use within the District's boundaries without the consent of the Board of Directors of the District.

16. Continuity and Dependability of Water Supply.

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial project water delivery to the District, the State shall submit to the District at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond

funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That prior to December 31, 1961, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities: Provided further, That the maximum monthly delivery capabilities of the reaches upstream from Vallecitos turnout shall be sufficient to deliver the District's maximum annual entitlement at the Vallecitos turnout, and the maximum monthly delivery capability of the reach from Vallecitos turnout to Alameda-Bayside turnout and the portion of the maximum annual entitlement to be delivered through such reach shall not exceed the District's requests, pursuant to this subdivision or Article 45.5(a) except by mutual agreement.

(b) The State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity

as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(c), 7(b), 12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's annual entitlement for the respective year to be put to municipal use and eighteen percent (18%) of that portion of the District's annual entitlement for the respective year to be put to agricultural use, all as determined by the State, and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's maximum annual entitlement to be put to municipal use in the respective year and eighteen percent (18%) of that portion of the District's maximum annual entitlement to be put to agricultural use in the respective year, all as determined by the State: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each such reservoir of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and

specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the capital cost component of the Transportation Charge, but the

District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining, and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

(f) Each aqueduct reach shall have at least the capacity specified in Article 23.

18. Shortage in Water Supply.

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State; Provided, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual

entitlements of all contractors for that year, all as determined by the State: Provided, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield below the total of the maximum annual entitlements of all contractors, or if for any other reason there is such reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A, included in Article 6(c) and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: Provided, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A, included in

Article 6(c), and of Article 7(b), respectively, to correspond to to the reduced supply of project water to be made available to the District: Provided, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto

against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or (c) of this article, circumstances arise which, in the judgment of the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16(c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

(g) The provisions of this article, with the exception of subdivision (f) hereof, shall not apply to shortages in the supply of Bureau water available for delivery to the contractors.

19. Water Quality.

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR ALAMEDA COUNTY WATER DISTRICT

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total Dissolved Solids	ppm.	440	220	-
Total Hardness	ppm.	180	110	-
Chlorides	ppm.	110	55	-
Sulfates	ppm.	110	20	-
Sodium Percentage	%	50	40	-
Fluoride	ppm.	-	-	1.5
Lead	ppm.	-	-	0.1
Selenium	ppm.	-	-	0.05
Hexavalent Chromium	ppm.	-	-	0.05
Arsenic	ppm.	-	-	0.05
Iron and Manganese together	ppm.	-	-	0.3
Magnesium	ppm.	-	-	125.
Copper	ppm.	-	-	3.0
Zinc	ppm.	-	-	15.
Phenol	ppm.	-	-	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

(d) The provisions of this article shall not apply to Bureau water made available for delivery to the District.

20. Suspension of Service. In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: Provided, That during such period the District shall remain obligated to make all payments required under this contract: Provided further, That notwithstanding the above notice provision, no Bureau water shall be furnished to the District pursuant to Acticle 6(b) if the District is in arrears in the payment to the State of any charges of the State levied or established by the State hereunder and necessary for the purpose of raising revenues to meet the payment by the State to the United States of the State's obligation under the Bureau-State contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. Sale of Surplus Water. If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs

of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

21.5 Bureau Water Charge.

(a) The payments to be made by each contractor receiving service of Bureau water shall include an annual charge, during the period of such service, designated as the Bureau Water Charge. This charge shall return to the State during such period all amounts paid to the Bureau by the State to obtain water for the contractor under the Bureau-State contract. For each contractor, the Bureau Water Charge shall be the sum of the following: (1) the product of $3.50 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau agricultural water as determined by the State; (2) the product of $10.00 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau municipal, industrial and domestic water as determined by the State; and (3) the cost of the pro-rata share of water lost from the project transportation facilities due to evaporation, leakage, seepage, or other causes, taking into account the quantities of Bureau agricultural water and Bureau municipal, industrial and domestic water made available for delivery to the contractor in the respective Bureau water year under its contract: Provided, That if in any year the amount of Bureau water to be made available for delivery to the contractor under its contract is reduced by reason of shortage as provided in Article 6(b)(1), the Bureau Water Charge shall be computed on the basis of such reduced amount. In computing the charge, the State shall determine the amounts of Bureau agricultural water and Bureau municipal,

industrial, and domestic water to be made available for delivery to the contractor on the basis of estimates of Bureau water use, taking into account measurements of past surface use of such water made pursuant to subdivision (c) of this article: Provided, That prior to March 1, 1968, fifty percent (50%) and thereafter thirty-five percent (35%) of all Bureau water delivered to the District under this contract and used for ground water recharge or storage shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water: Provided further, That sixty-five percent (65%) of the amount of Bureau water made available for delivery to the District under this contract in the first year of such delivery shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water.

(b) The District's failure or refusal to accept delivery of Bureau water made available for delivery to it under Article 6(b) and Table A included in Article 6(c) shall not affect the computation of the Bureau Water Charge as provided for in subdivision (a) of this article and shall in no way relieve the District of its obligation to make payment of the charge, as so computed, pursuant to Article 29, except as the amounts in Table A may be modified under the terms of Article 6(b).

(c) The District shall measure separately, with equipment satisfactory to the State, Bureau water delivered to it for ground water recharge, Bureau agricultural water delivered to it for surface use, and Bureau municipal, industrial, and domestic water delivered to it for surface use, and shall keep and maintain accurate and complete records thereof. At any time or times, the State may inspect such measuring equipment, and the measurements and records taken therefrom.

(d) Obligations of the District arising out of, pursuant, or incidental to the Bureau-State contract shall constitute a general obligation of the District notwithstanding the default in the payment to the District by individual water users of assessments, tolls, or other charges levied by or owing to the District and the District agrees to use all powers and resources available to it under the laws of the State of California to collect the funds necessary to meet such obligations.

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation,

maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the project repayment period

all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1-r_1)(1+i)^{-1}+(c_2-r_2)(1+i)^{-2}+\ldots+(c_n-r_n)(1+i)^{-n}}{e_1(1+i)^{-1}+e_2(1+i)^{-2}+\ldots+e_n(1+i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs for the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and n appearing below c and r = The respective year of the project repayment period for which costs are included in the respective category, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components; the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

n used as an exponent = The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable costs-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I, the aqueduct from the Delta to San Luis

Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivision (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and

reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first

incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

(h) Payments by the District pursuant to Articles 7(d) and 7(f) shall be such that the total payments to the State for the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge during the project repayment period shall be the same as if no change in annual entitlement had been made under Article 7(c) and no decrease in water delivery had been made under Article 7(e).

(1) In the event of a decreased annual entitlement to the District under Article 7(d), the District shall, in addition to the Delta Water Charge computed pursuant to subdivision (d) of this article, pay an amount which shall be the product of the amount of the decrease in the annual entitlement and the

difference in the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate year in which the annual entitlement was increased under Article 7(c). The appropriate year for which the annual entitlement was so increased shall be the earliest year not offset by a decrease of annual entitlement pursuant to Article 7(d).

(2) In a year in which an increased quantity of water is furnished under Article 7(f), the Delta Water Charge shall be computed pursuant to subdivision (d) of this article, and in addition the District shall pay an amount which shall be the product of such increase in quantity and the difference in the capital costs and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate previous year in which the delivery was less than the annual entitlement as provided under Article 7(e). The appropriate previous year shall be the earliest year in which such water was not delivered under Article 7(e) which has not been offset by increased delivery under Article 7(f).

(3) For the purposes of this subdivision, the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge prior to December 31, 1969, shall be deemed to be three dollars and fifty cents ($3.50) per acre-foot of water less the variable operation, maintenance, power and replacement component rate computed under subdivision (c) of this article.

23. Transportation Charge. The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17 (a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the

project transportation facilities are established as follows:

Provided, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach	Major Features of Reach
Delta through Bethany Forebay:	Intake Canal Fish Protective Facilities Aqueduct Pumping Plant I Aqueduct (Including Interim Intake Canal and Interim Pumping Plant)
Bethany Forebay to Doolan-Livermore Junction:	South Bay Pumping Plant Aqueduct - min. capacity 300 cfs
Doolan-Livermore Junction to Doolan Reservoir:	Aqueduct Doolan Reservoir
Doolan-Livermore Junction through Patterson Reservoir:	Aqueduct - min. capacity 300 cfs Patterson Reservoir
Patterson Reservoir to Del Valle Branch:	Aqueduct - min. capacity 265 cfs
Del Valle Branch:	Del Valle Reservoir Del Valle Pumping Plant Aqueduct - min. capacity 108 cfs
Del Valle Branch to Del Valle Turnout:	Aqueduct - min. capacity 265 cfs
Del Valle Turnout to Vallecitos Turnout:	Aqueduct - min. capacity 255 cfs
Vallecitos Turnout to Alameda-Bayside Turnout:	Aqueduct

24. Transportation Charge - Capital Cost Component.

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach, and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO
ALAMEDA COUNTY WATER DISTRICT

Aqueduct reach	Total for project transportation facilities				District participation			
	Total of maximum annual entitlements of all contractors thousands of acre-feet per year[1]	Total of maximum capacities in cubic feet per second[1][4]	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars[2]	Maximum annual entitlement, thousands of acre-feet per year[1]	Ratio of maximum annual entitlement to total of maximum annual entitlements	Maximum capacity in cubic feet per second[1]	Ratio of capacity to total capacity
Delta through Bethany Forebay[3]								
Bethany Forebay to Doolan-Livermore Junction								
Doolan-Livermore Junction through Doolan Reservoir								
Doolan-Livermore Junction through Patterson Reservoir								
Patterson Reservoir to Del Valle Branch								
Del Valle Branch								
Del Valle Branch to Del Valle Turnout								
Del Valle Turnout to Vallecitos Turnout								

1/ As increased by an allowance to compensate for losses as provided in Article 24(b)(2).
2/ Based on values as of the end of the construction period.
3/ Costs allocated to water transportation.
4/ State capacity only.

prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation.

Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C

PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
ALAMEDA COUNTY WATER DISTRICT

Year	Projected Allocation in Thousands of Dollars
1*	
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31	

* Year in which State commenced construction of project transportation facilities, 1959.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The district's payment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
ALAMEDA COUNTY WATER DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
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TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
ALAMEDA COUNTY WATER DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
43			
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73			
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80			
TOTAL			

* Year in which the State commenced construction of the project transportation facilities, 1959.
** Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective

contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

(e) The District's allocated capital costs for the year 1962, pursuant to subdivision (c) of this article shall consist of the sum of the District's allocated capital costs for each year through December 31, 1962, and interest thereon, computed at the project interest rate and compounded annually.

25. Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component.

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E

TRANSPORTATION CHARGE-MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ALAMEDA COUNTY WATER DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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31 and each succeeding year thereafter, for the term of this contract.	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commenced construction of the project transportation facilities, 1959.

26. Transportation Charge - Variable Operation, Maintenance, Power, and Replacement Component.

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of

water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article

for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F

TRANSPORTATION CHARGE-ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
ALAMEDA COUNTY WATER DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

* Payments start with year of initial water delivery.

** Year in which State commenced construction of project transportation facilities, 1959.

27. Transportation Charge - Payment Schedule. The amounts to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a), which Table G shall constitute a summation of Tables D, E, and F: Provided, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G

PAYMENT SCHEDULE
ALAMEDA COUNTY WATER DISTRICT
(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
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5**				
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TABLE G (Continued)

PAYMENT SCHEDULE
ALAMEDA COUNTY WATER DISTRICT
(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	
43				
44				
45				
46				
47				
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* Year in which State commenced construction of project transportation facilities, 1959.

** Year of first payment.

28. Transportation Charge - Redetermination. The State shall redetermine the values and amounts set forth in the tables included in Articles 24 through 27 of this contract in 1962 and each year thereafter in order that the Transportation Charge to the District and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Article 23, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of the tables included in Articles 24 through 27 shall be prepared by the State and attached to this contract as amendments of those articles respectively.

29. Time and Method of Payment.

(a) Payments by the District under the Bureau Water Charge shall commence in the year when Bureau water is first made available for delivery to the District pursuant to Article 6(b).

(b) Payments by the District under the Delta Water Charge shall commence in the year of initial project water delivery to the District.

(c) Payments by the District under the capital cost component of the Transportation Charge shall commence in 1963.

(d) Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed, or in the year of initial water delivery, whichever is earlier.

(e) Payments by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(f) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) The Bureau Water Charge to the District for the next succeeding Bureau water year; (2) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power, and

replacement components of the Delta Water Charge and Transportation Charge; (3) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (4) the total charges to the District for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): Provided Further, that the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(g) The District shall pay to the State, on or before February 1 of each year, commencing as provided in subdivision (a) of this article, one-half (1/2) of the Bureau Water Charge to the District for the Bureau water year as stated pursuant to subdivision (f) of this article, and shall pay the remainder of said charge prior to the time that the amount of Bureau water made available for delivery to the District under its water delivery schedule for that 12-month period, established pursuant to Article 12, equals the amount for which payment has been made, but in any event not later than July 1 of that year.

(h) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the District for the year under the capital cost component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (f) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

(i) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (f) of this article.

(j) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (f) of this article, as such charges are stated in such statement.

(k) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (f) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. Surcharge for Excess Use of Project Water.

(a) As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to pay capital costs properly chargeable to energy generation and the costs of operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \ldots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \ldots + e_n(1+i)^{-n}}$$

where:

i = The project interest rate.

c = The projected annual power credit accrued during the respective year of the project repayment period.

1, 2, and n appearing below c = The respective year of the project repayment period during which the power credit is accrued, n being the last year of the project repayment period.

e = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements occur, n being the last year of the project repayment period.

n used as exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2.00 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The state shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or

decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the retail agency on forms prescribed

and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same

proportion to the total amount of water so used on that excess land during such year as the total amount of water applied within that area during such year, less the total amount of nonproject water so applied during such year, bears to the former amount.

(3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

(f) Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) In the event that any retail agency or other agency by, through, or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (e) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through, or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (c) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent

jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

(j) The provisions of this article shall not apply to Bureau water as defined in Article 1(l).

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: Provided, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. Obligation of District to Make Payments.

(a) The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(c) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

(b) The District as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the District of assessments, tolls, or other charges levied by the District.

34. Obligation of District to Levy Taxes and Assessments.

(a) If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall upon written notice from the State levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (2) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(c) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) In the event of failure, neglect, or refusal of any officer of the District to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or

assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. Remedies Not Exclusive. The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. Amendments. This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. Such amendments may provide for deferred payment of the capital cost component of the Transportation Charge subject to the provisions of Article 45 of this contract. The State shall promptly furnish the District with copies of all other contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

37. Reservation With Respect to State Laws. Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. Opinions and Determinations. Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. Contracting Officer of the State. The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. Successors and Assigns Obligated. This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. Assignment. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. Waiver of Rights. Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources
P. O. Box 388
Sacramento 2, California

and the State shall address all notices to the District as follows:

Alameda County Water District
38050 Fremont Boulevard
P. O. Box 668
Fremont, California

44. Maintenance and Inspection of Books, Records, and Reports.

(a) During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

(b) The District shall furnish to the Bureau of Reclamation a report on crops raised and agricultural and livestock products produced on the land within the District. This report shall be furnished to the Regional Director, Region 2, Bureau of Reclamation, Sacramento, annually on or before December 31 for each year in which Bureau water is received, and a copy shall be provided to the State.

45. (a) Contracts executed by the State for a dependable supply of project water from the South Bay Aqueduct shall be substantially uniform with respect to basic terms and conditions.

(b) Contracts executed by the State for a dependable supply of project water shall be in substantial conformity with the provisions of the water supply contract between the State and The Metropolitan Water District of Southern California dated November 4, 1960, except as variations are permitted by Article 45 of that contract.

45.5. Miscellaneous.

(a) Subject to the approval of the State and to the availability of unallocated capacity and pursuant to further studies and negotiations between the State and the District, the District may increase the capacity available to it in the aqueduct from the turnout at Vallecitos Creek to the Alameda-Bayside turnout up to and including June 1, 1962.

(b) For a period of sixty (60) days after the receipt of written notice by the District from the State of the amendment of any existing water supply contract which amendment relieves the State from the obligation to construct the aqueduct reach from Vallecitos turnout to Alameda-Bayside turnout to a capacity of two hundred fifty-five (255) cubic feet per second, the District shall have the right under subdivision (a) of this article to a maximum monthly delivery capability in that reach up to a maximum capacity equal to the difference between two hundred fifty-five (255) cubic feet per second and the capacity in such reach allocated to other contractors.

(c) Each of the parties hereto mutually agrees to prepare and execute as speedily as possible a contract between the State and the Alameda County Water District which will contain therein terms and conditions for the construction and operation of Del Valle Reservoir in relation to the conservation of the water of the Arroyo del Valle. Such contract shall recognize the interests of the Pleasanton Township County Water District.

(d) This contract supercedes the contract between the parties executed on November 29, 1961, entitled "Contract Between the State of California Department of Water Resources and Alameda County Water District for a Water Supply".

(4) Subject to the approval of the State and to the availability of unallocated capacity and pursuant to further studies and negotiations between the State and the District, the District may increase the capacity available to it in the aqueduct from the turnout at Vallecitos Creek to the Alameda-Bayside turnout up to and including June 1, 1962.

(b) For a period of sixty (60) days after the receipt of written notice by the District from the State of the amendment of any existing water supply contract which amendment relieves the State from the obligation to construct the aqueduct reach from Vallecitos turnout to Alameda-Bayside turnout to a capacity of two hundred fifty-five (255) cubic feet per second, the District shall have the right under subdivision (a) of this article to a maximum monthly delivery capability in that reach up to a maximum capacity equal to the difference between two hundred fifty-five (255) cubic feet per second and the capacity in such reach allocated to other contractors.

(c) Each of the parties hereto mutually agrees to prepare and execute as speedily as possible a contract between the State and the Alameda County Water District which will contain therein terms and conditions for the construction and operation of Del Valle Reservoir in relation to the conservation of the water of the Arroyo del Valle. Such contract shall recognize the interests of the Pleasanton Township County Water District.

(d) This contract supercedes the contract between the parties executed on Novmeber 29, 1961, entitled "Contract Between the State of California Department of Water Resources and Alameda County Water District for a Water Supply".

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

Chief Counsel (Acting)
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By B. Abbott Goldberg
Acting Director

ALAMEDA COUNTY WATER DISTRICT

By Manuel J. Bernardo
Manuel J. Bernardo, President

Countersigned:
Phyllis J. Kettering, Secretary

APPROVED AS TO TERMS AND CONDITIONS:

M. P. Whitfield, General Manager and Chief Engineer
Alameda County Water District

APPROVED AS TO FORM:

Morris Hyman, Attorney
Alameda County Water District

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Location and Size

The San Bernardino Valley Municipal Water District is located in the San Bernardino Valley, in the southwestern part of San Bernardino County. The District, as of July 1, 1964, encompassed an area of about 150,000 acres and had an estimated population of 275,000.

Water Supply and Utilization

Essentially all water used in the District is at the present time pumped from the underlying ground water basins. There are legal restrictions on the amount of water the major cities of the District, Colton, Redlands and San Bernardino may pump. This coupled with increasing needs resulting from population growth makes a supplemental supply of water essential to the District.

Items of Contract Information Unique to Agency

Date of Contract - Preamble

December 30, 1960

Agency's Principal Place of Business - Preamble

San Bernardino

Estimated Year of Initial Water Delivery - Article 6(a)

1972

Date of Request as to Delivery Structures - Article 10(b)

June 30, 1963

Limit on Instantaneous Rate of Delivery - Article 12(c)

165 cfs (Increased by Amendment No. 2 to 179 cfs.)

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT FOR A WATER SUPPLY

December 30, 1960

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STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
FOR A WATER SUPPLY

THIS CONTRACT, made this 30th day of December, 1960, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and San Bernardino Valley Municipal Water District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Bernardino, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. Definitions. When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Bond Act by the voters of the State of California.

(d) "Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) "Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) "Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) "Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) "Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing

any reduction in the minimum project yield, as hereinafter defined, below the total of the maximum annual entitlements of all contractors.

(i) "Project transportation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (2) thereof except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River; and the West Branch Aqueduct extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) "East Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(k) "Project water" shall mean water made available for delivery to the contractors by the project conservation facilities and the transportation facilities included in the System.

(l) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(m) "Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(n) "Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(o) "Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the total of the maximum annual entitlements of all contractors, or in addition to the minimum project yield, if greater than said total, and for meeting local needs.

(p) "Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the total of the maximum annual entitlements of all contractors, or in excess of the minimum project yield, if greater than said total.

(q) "Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(r) "Year of initial water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(s) "Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received

on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimal fraction to five places.

(t) "Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(u) "Project revenues" shall mean revenues derived from the service of project water to contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of project facilities.

(v) "Project repayment period" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after approval of the Bond Act by the voters of the State of California, first

expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(w) "Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(x) "Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(y) "Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(z) "Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(aa) "Area of origin statutes" shall mean Section 10505 and Sections 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. Term of Contract. This contract shall become fully effective on the ninety-first (91st) day after the adjournment of the 1961 Regular Session of the State Legislature and shall remain in effect throughout the entire project repayment period, or for seventy-five (75) years from said effective date, whichever period is longer: Provided, That if, by any legislative process initiated during said session of the Legislature, there is enacted into law any legislation which is inconsistent with any of the terms and conditions of this contract or which would require changes therein, this contract shall be subject to such legislation and thereupon shall become void and shall be of no further force or effect unless the District, within a period of one hundred eighty (180) days after the effective date of such legislation agrees to and executes appropriate amendments incorporating necessary modifications in this contract consistent with such legislation: Provided further, That unless otherwise specifically directed by the Legislature, Article 17(d) of this contract, limiting the sale of bonds and expenditure of funds under the authority of the Bond Act, shall not be so modified: Provided further, That no bonds shall be sold nor funds expended under the authority of the Bond Act until the expiration of said period of one hundred eighty (180) days after the effective date of such legislation, except for costs of: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements, and rights-of-way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of

the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States: Provided further, That no financial obligation of the District to the State shall arise or be enforceable hereunder unless and until the validity of this contract is established by final judgment or decree of a court of competent jurisdiction.

3. Validation. Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. Option for Continued Service. By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

(1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.

(2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.

(3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.

(4) Retention of the same chemical quality objective provision as is set forth herein.

(5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements.

(a) The year of initial water delivery to the District is presently estimated to be 1972, but shall be determined pursuant to Article 17(a). To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Commencing with the year of initial water delivery to the District, the State each year shall make available for delivery to the District the amounts of project water designated in the following table, which amounts shall be subject to change as provided for in Article 7(a) hereof and are referred to in this contract as the District's annual entitlements:

TABLE A

ANNUAL ENTITLEMENTS
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Total Annual Amount in Acre-feet
1	15,000
2	17,000
3	19,200
4	21,200
5	23,200
6	25,200
7	27,200
8	29,300
9	31,300
10	33,400
11	39,000
12	44,600
13	50,200
14	55,900
15	61,400
16	67,100
17	72,800
18	78,400
19	84,100
20	90,000
And each succeeding year thereafter, for the term of this contract:	90,000

(c) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the District in such manner and at such times that said delivery can commence in or before the year of initial water delivery to the District, and can continue in the amounts designated in Table A.

7. Change in Annual Entitlements; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A, included in Article 6(b). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in Table A by amendment thereof: Provided, That no such change shall be approved if, in the judgment of the State, it would impair the financial feasibility of the project facilities.

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 90,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

(c) In the event that the State enters into a contract with a contractor for service of project water to an area outside the District, which area (as shown upon maps marked Exhibit A and Exhibit B, attached hereto and by express reference made a part hereof) is proposed to be served by the District with project water made available pursuant to this contract, provision

being made therefor in Table A included in Article 6(b), the State shall appropriately reduce the District's annual entitlements and maximum annual entitlement hereunder, effective on the effective date of said contract for service of project water by the State to such area outside the District: Provided, That such reductions shall not exceed the amounts of said contractor's annual entitlements and maximum annual entitlement under its contract. Upon any reduction in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, the State shall appropriately reduce: (1) the delivery capabilities to be provided in the project transportation facilities for service to the District, and (2) the District's payment obligations hereunder.

8. Option to Increase Maximum Annual Entitlement. In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the District and all other contractors, and the District may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the District's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the District receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the District under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the District may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of

such request the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Deliver Water Made Available.

Project water made available to the District pursuant to Article 6(b) shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: Provided, That in such event, the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before June 30, 1963, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. Measurement of Water Delivered.

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

12. Amounts, Times, and Rates of Delivery.

(a) The amounts, times, and rates of delivery of project water to the District during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10, and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) In no event shall the State contract to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision

being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding one hundred sixty-five (165) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(b), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. Responsibilities for Delivery and Distribution of Water.

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. Temporary Discontinuance or Reduction of Delivery.

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such

other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement, respectively, contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement, respectively, allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(b), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlement shall in all respects be subject to the terms and conditions of this contract.

16. Continuity and Dependability of Water Supply.

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial water delivery to the District, the State shall submit to the District at five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond

funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That within three (3) months after either the effective date of this contract or the execution of any amendments to this contract pursuant to the first proviso in Article 2, whichever is later, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities. On or before June 30, 1963, the District shall furnish to the State its written request specifying the year of initial water delivery to the District: Provided, That said year of initial water delivery shall not be specified to be earlier than 1972. Said year of initial water delivery to the District shall be as so requested by the District: Provided, That in the event said request is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through the East Branch Aqueduct, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the District and such other contractors from said East

Branch Aqueduct shall be as established by mutual agreement among the State, the District, and said contractors: Provided further, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said East Branch Aqueduct in accordance with such construction schedule as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnels and which have executed contracts with the State on or before June 30, 1963.

(b) The State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(b), 7(b), 12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's annual entitlement for the respective year and, upon completion of the project facilities, to enable delivery to the District in each

month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's maximum annual entitlement: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each reservoir on the East Branch Aqueduct of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities during the planning stage and prior to the solicitation of bids for the construction thereof, and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor

shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) The State shall make all reasonable efforts bo commence construction of the project transportation facilities on or before June 30, 1963. In the event that no contract for construction of project transportation facilities south of the San Luis Canal of the San Luis unit of the Federal Central Valley Project has been let on or before December 31, 1964, and that no bonds have been issued nor funds expended for construction of said facilities by that date, the District at any time after December 31, 1964, may at its option terminate this contract by giving notice of such termination to the State, such termination to be effective six (6) months after the

giving of such notice, whereupon both parties hereto shall be relieved of all further obligations hereunder: Provided, That if the District has not theretofore given such notice, this option shall expire upon the letting by the State of a contract for construction of said facilities at any time after March 31, 1965.

(f) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof, or by reason of such failure or inability construction of said facilities has ceased for a period of two and one-half (2½) years, the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the

capital cost component of the Transportation Charge, but the District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining, and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

18. Shortage in Water Supply.

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State; Provided, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual entitlements of all contractors for that year, all as determined by the State: Provided, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this

subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield below the total of the maximum annual entitlements of all contractors, or if for any other reason there is such reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A, included in Article 6(b), and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: Provided, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport

water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A, included in Article 6(b), and of Article 7(b), respectively, to correspond to the reduced supply of project water to be made available to the District: Provided, That such redistribution of costs of transportation facilities shall not be made

until there has been reasonable opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or

(c) of this article, circumstances arise which, in the judgment of the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16(c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

19. Water Quality.

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total Dissolved Solids	ppm.	440	220	-
Total Hardness	ppm.	180	110	-
Chlorides	ppm.	110	55	-
Sulfates	ppm.	110	20	-
Sodium Percentage	%	50	40	-
Fluoride	ppm.	-	-	1.5
Lead	ppm.	-	-	0.1
Selenium	ppm.	-	-	0.05
Hexavalent Chromium	ppm.	-	-	0.05
Arsenic	ppm.	-	-	0.05
Iron and Manganese together	ppm.	-	-	0.3
Magnesium	ppm.	-	-	125.0
Copper	ppm.	-	-	3.0
Zinc	ppm.	-	-	15.0
Phenol	ppm.	-	-	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

20. Suspension of Service. In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: Provided, That during such period the District shall remain obligated to make all payments required under this contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. Interim Sale of Surplus Water. If during any year the supply of project water, after appropriate allowance for hold-over storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that

all contractors which contribute to the payment of the costs of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of

costs, to return to the State during the project repayment period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1-r_1)(1+i)^{-1}+(c_2-r_2)(1+i)^{-2}+\ldots+(c_n-r_n)(1+i)^{-n}}{e_1(1+i)^{-1}+e_2(1+i)^{-2}+\ldots+e_n(1+i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs for the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and n appearing below c and r = The respective year of the project repayment period for which costs are included in the respective category, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

n used as an exponent = The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable costs-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake

facilities at the Delta, Pumping Plant I, the aqueduct from the Delta to San Luis Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year

thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta

pursuant hereto. Commencing in the year in which the State first incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

23. Transportation Charge. The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as follows: Provided, That those costs of the aqueduct reaches from the Delta

through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach	Major Features of Reach
Delta to Discharge Pumping Plant I:	
	Intake Canal Fish Protective Facilities Pumping Plant I
Discharge Pumping Plant I to San Luis Forebay:	
	Aqueduct
San Luis Forebay to Outlet San Luis Reservoir:	
	San Luis Forebay and Dam Pumping Plant II San Luis Reservoir and Dam
Outlet San Luis Reservoir to Avenal Gap:	
	Aqueduct
Avenal Gap to Pumping Plant III:	
	Aqueduct
Pumping Plant III to Pumping Plants IV-V:	
	Pumping Plant III Aqueduct
Pumping Plants IV-V to Pumping Plant VI:	
	Pumping Plant IV Pumping Plant V Aqueduct
Pumping Plant VI to South Portal Tehachapi Tunnels:	
	Pumping Plant VI Tehachapi Tunnels

Aqueduct Reach	Major Features of Reach
East Branch Aqueduct	
South Portal Tehachapi Tunnels to Cottonwood Power Plant:	Aqueduct Cottonwood Power Plants 1 and 2
Cottonwood Power Plant to a point near Fairmont Reservoir:	Aqueduct
Near Fairmont Reservoir to Little Rock Creek:	Aqueduct
Little Rock Creek to West Fork Mojave River:	Pumping Plant VII Aqueduct
West Fork Mojave River to South Portal San Bernardino Tunnel:	Cedar Springs Reservoir and Dam San Bernardino Tunnel
South Portal San Bernardino Tunnel to Devil Canyon Power Plant 1:	Devil Canyon Power Plant 1
Devil Canyon Power Plant 1 to Perris Reservoir:	Devil Canyon Power Plant 2 Aqueduct Perris Reservoir and Dam

24. Transportation Charge - Capital Cost Component.

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach, and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Aqueduct reach	Total for project transportation facilities				District participation			
	Total of maximum annual entitlements of all contractors, thousands of acre-feet per year [1]	Total of maximum capacities in cubic feet per second [1][4]	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars [2]	Maximum annual entitlement, thousands of acre-feet per year [1]	Ratio of maximum annual entitlement to total of maximum annual entitlements	Maximum capacity in cubic feet per second [1]	Ratio of maximum capacity to total capacity	Average of ratios
Delta to Discharge Pumping Plant I [3]									
Discharge Pumping Plant I to San Luis Forebay [3]									
San Luis Forebay to Outlet San Luis Reservoir [3]									
Outlet San Luis Reservoir to Avenal Gap									
Avenal Gap to Pumping Plant III									
Pumping Plant III to Pumping Plant IV-V									
Pumping Plant IV-V to Pumping Plant VI									
Pumping Plant VI to South Portal Tehachapi Tunnels									
South Portal Tehachapi Tunnels to Tailrace Cottonwood Power Plant									
Tailrace Cottonwood Power Plant to near Fairmont Reservoir									
Near Fairmont Reservoir to Little Rock Creek									
Little Rock Creek to West Fork Mojave River									
West Fork Mojave River to South Portal San Bernardino Tunnel									
South Portal San Bernardino Tunnel to Devil Canyon Power Plant 1									
Devil Canyon Power Plant 1 to Perris Reservoir									

1/ As increased by an allowance to compensate for losses as provided in Article 24(b) (2)
2/ Based on values as of the end of the construction period
3/ Costs allocated to water transportation
4/ State capacity only

prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation.

Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C

PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	

* Year in which State commences construction of project transportation facilities.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The District's payment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
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24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			

TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
75			
76			
77			
78			
79			
80			
TOTAL			

* Year in which the State commences construction of the project transportation facilities.
** Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective

contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

25. Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component.

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of th minimum replacement costs for the year in which such deposits are made

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E

TRANSPORTATION CHARGE-MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
1**	
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3	
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30	
31	
and each succeeding year thereafter, for the term of this contract.	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commences construction of the project transportation facilities.

26. Transportation Charge - Variable Operation, Maintenance, Power, and Replacement Component.

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of

water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article

for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F

TRANSPORTATION CHARGE-ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

* Payments start with year of initial water delivery.

** Year in which State commences construction of project conservation facilities.

27. Transportation Charge - Payment Schedule. The amounts to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a), which Table G shall constitute a summation of Tables D, E, and F: Provided, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G

PAYMENT SCHEDULE
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
4				
5				
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TABLE G (Continued)

PAYMENT SCHEDULE
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

(In thousands of dollars)

Year	Transportation Charge			Total
	Capital Cost Component	Minimum Component	Variable Component	
43				
44				
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
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79				
80				

* Year in which State commences construction of project transportation facilities.

** Year of first payment.

28. Transportation Charge - Redetermination. The State shall redetermine the values and amounts set forth in the tables included in Articles 24 through 27 of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the District and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Article 23, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of the tables included in Articles 24 through 27 shall be prepared by the State and attached to this contract as amendments of those articles respectively.

29. Time and Method of Payment.

(a) Payments by the District under the Delta Water Charge shall commence in the year of initial water delivery to the District.

(b) Payments by the District under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities.

(c) Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d) Payments by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(e) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the District for the preceding

year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b). All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(f) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the District for the year under the capital cost component of the Delta Water

Charge and one-half (1/2) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

(g) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

(h) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (e) of this article, as such charges are stated in such statement.

(i) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement

to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. Surcharge for Excess Use of Project Water.

(a) As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to pay capital costs properly chargeable to energy generation and the costs of operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \ldots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \ldots + e_n(1+i)^{-n}}$$

where:

i = The project interest rate.

c = The projected annual power credit accrued during the respective year of the project repayment period.

1, 2, and n appearing below c = The respective year of the project repayment period during which the power credit is accrued, n being the last year of the project repayment period.

e = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

1,2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements occur, n being the last year of the project repayment period.

n used as exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2.00 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The State shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the retail agency on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water

so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as

contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water delivered by the contractor or retail agency in any year to water users within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water delivered by the contractor or retail agency in any year to water users within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same proportion to the total amount of water so used on that excess land during such year as the total amount of project water delivered by the contractor or retail agency to water users within that area during such year bears to the total amount of water delivered by the contractor or retail agency to water users within that area during such year.

(3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

(f) Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) In the event that any retail agency or other agency by, through, or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (d) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through, or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (d) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations

imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: Provided, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. Obligation of District to Make Payments.

(a) The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

(b) The District as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the District of assessments, tolls, or other charges levied by the District.

34. Obligation of District to Levy Taxes and Assessments.

(a) If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(c) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) In the event of failure, neglect, or refusal of any officer of the District to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or

assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. Remedies Not Exclusive. The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. Amendments. This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. The State shall promptly furnish the District with copies of all other contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

37. Reservation With Respect to State Laws. Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. Opinions and Determinations. Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. Contracting Officer of the State. The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. Successors and Assigns Obligated. This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. Assignment. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. Waiver of Rights. Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources
P. O. Box 388
Sacramento 2, California

and the State shall address all notices to the District as follows:

San Bernardino Valley Municipal Water District
384 Fourth Street
San Bernardino, California

44. Maintenance and Inspection of Books, Records, and Reports. During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

45. Contracts to be Uniform. Contracts executed by the State for a dependable supply of project water shall be substantially uniform with respect to basic terms and conditions, except as otherwise provided in this article with respect to payment of the capital cost component of the Transportation Charge. Schedules for all contractors for payment of the capital cost component of the Transportation Charge shall provide as a minimum for payment currently of interest on all allocated capital costs, computed at the project interest rate and compounded annually, and for commencement of payment of the principal of such allocated costs in the year following the year in which capital costs allocated to the respective contractor are first incurred by the State, subject only to (1) through (4) below:

(1) The commencement of payment of the principal of such allocated costs may be deferred up to a maximum of nine (9) years following the year in which such costs are first incurred by the State, to the extent that in the judgment of the State such delay in commencement of payment is necessary to prevent unreasonable financial hardship on the contractor.

(2) The payment of such principal and interest may be made, subject to approval by the State, in installments which vary in magnitude during the project repayment period.

(3) In the case of any contractor to which the delivery of project water for agricultural use as of 1990 is estimated by the State to

be in excess of twenty-five percent (25%) of such contractor's maximum annual entitlement, payment of any portion or all of the capital costs allocated to such contractor which are attributed by the State to agricultural use of project water, together with payment of interest on said capital costs, may be commenced by such contractor in the year of initial water delivery, to the extent that in the judgment of the State such delay in commencing payment is necessary to prevent unreasonable financial hardship on such contractor.

(4) All unpaid interest shall be accumulated at the project interest rate, compounded annually, and added to the contractor's allocated capital costs.

Notwithstanding (1) through (4) above, all contractors shall completely pay their total allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, within the project repayment period, and payments under the schedule of payment of capital costs for each contractor, including interest over the project repayment period, shall have a present value, when discounted at the project interest rate to the first day of the project repayment period, equal to the present value of the payments under that schedule which would be derived for such contractor on the bases provided in this contract when so discounted at the project interest rate to the same date.

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA

By _____
Governor

Approved as to legal form and sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

Attest:

_____
Secretary
San Bernardino Valley
Municipal Water District

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By _____
President

Approved as to form and execution:

By _____
General Manager

_____
Counsel
San Bernardino Valley
Municipal Water District

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1 TO CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
FOR A WATER SUPPLY

THIS CONTRACT, made this 15th day of November, 1963, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and San Bernardino Valley Municipal Water District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Bernardino, California, herein referred to as the "District".

WITNESSETH, That:

WHEREAS, The State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, The State and the District have entered into a water supply contract, dated December 30, 1960, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

WHEREAS, Subdivision 7(c) of the above-mentioned contract provides for reductions in the District's maximum annual entitlement as a result of the water supply contracts for service to areas shown on exhibits A and B of such contracts and such a water supply contract has been executed with Crestline-Lake Arrowhead Water Agency, dated June 22, 1963; and

WHEREAS, The State and the District are desirous of making certain other changes and additions to their contract, while otherwise continuing the contract in full force and effect;

AND THEREFORE, It is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Table A, contained in Article 6, is amended to read as follows:

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY TO
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Total Annual Amount in Acre-Feet
1	39,500
2	41,250
3	43,200
4	44,950
5	46,700
6	48,450
7	50,200
8	52,050
9	53,700
10	55,650
11	55,650
12	55,650
13	55,650

14	55,650
15	57,400
16	62,850
17	68,300
18	73,650
19	79,100
20	85,000
and each succeeding year thereafter, for the term of this contract:	85,000

2. Article 7(b) is amended to read as follows:

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 85,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Article 8 and 15(c).

This paragraph shall be effective as of June 22, 1963.

3. Article 12(c) is amended to read as follows:

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding one hundred fifty-five (155) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

4. Article 47 is added to the contract to read as follows:

47. Amendatory Provisions

a. Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of the annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum

annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21.

As used in this subdivision "ground water replenishment

use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

b. Surcharge Credit

Notwithstanding other provisions of this contract, the State may include provisions in water supply contracts allowing a credit to a contractor not to exceed the surcharge to be paid by such contractor: Provided, That such credit shall be utilized to reduce the cost of water for agricultural use on other than excess land at a uniform rate per acre-foot not to exceed two dollars ($2) per acre-foot. Any contract including provisions pursuant to this subdivision shall assure that the reductions in the contractors' obligations authorized by this subdivision are made available exclusively for the benefit of agricultural use on land other than excess land and are not directly or indirectly made available for the benefit of agricultural use on excess land.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

Attest:

Secretary
San Bernardino Valley
Municipal Water District

SAN BERNARDINO VALLEY MUNICIPAL
WATER DISTRICT

By _____
President

Approved as to form and execution:

Counsel
San Bernardino Valley
Municipal Water District

By _____
General Manager

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 2 TO WATER SUPPLY
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

THIS CONTRACT, made this 28th day of September 1964, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and San Bernardino Valley Municipal Water District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Bernardino, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District, and in particular the East Branch of the California Aqueduct which is scheduled to be ready to deliver water in January 1972; and

WHEREAS, the State and the District have entered into a water supply contract, dated December 30, 1960, as amended November 15, 1963, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963,

did not aggregate the amount of the minimum project yield as defined in such water supply contract; and

WHEREAS, the District has elected to become entitled to a certain amount of the uncontracted for portion of the minimum project yield under the provisions of Article 8 of the above-mentioned contract and the State has determined that the District can put the water involved to beneficial use within a reasonable period of time; and

WHEREAS, the State and the District are desirous of making certain other changes and additions to such contract, while otherwise continuing the contract in full force and effect; and

WHEREAS, the increase in the minimum project yield provided for in this amendment will, in the opinion of the State's engineering staff, bring about reductions in both the Delta Water Charge and the Transportation Charge to be paid by the District;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Subdivision (l) of Article 1 is amended to read as follows:

(l) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities, and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

2. Table A entitled "Annual Entitlements San Bernardino Valley Municipal Water District," as set forth in Article 6, is amended to read as follows:

TABLE A

ANNUAL ENTITLEMENTS
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Year	Total Annual Amount in Acre-feet
1	45,541
2	47,559
3	49,806
4	51,826
5	53,842
6	55,860
7	57,878
8	60,010
9	61,913
10	64,161
11	64,161
12	64,161
13	64,161
14	64,161
15	66,179
16	72,462
17	78,745
18	84,915
19	91,198
20	98,000
And each succeeding year thereafter, for the term of this contract:	98,000

3. Subdivision (b) of Article 7 is amended to read as follows:

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 98,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 or 15(c).

4. Subdivision (c) of Article 12 is amended to read as follows:

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding one hundred seventy nine (179) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

5. Subdivision (a) of Article 16 is amended to read as follows:

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

6. Article 47 is amended to read as follows:

47. Amendatory Provisions

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water and to the provisions of the next succeeding paragraph, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground

water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provisions of this paragraph shall be applicable only to contractors in the San Joaquin Valley Service Area, contractors in the Southern California Service Area, and contractors in the Central Coastal Service Area. Before surplus water is sold for other than agricultural and ground water replenishment use, each such contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use in accordance with the following formula: contractors in the San Joaquin Valley Service Area shall have a right to contract for sixty-nine percent (69%) of the surplus water available at the Mile 18 Pumping Plant; contractors in the Southern California Service Area shall have a right to contract for twenty-nine percent (29%) of such water; and contractors in the Central Coastal Service Area shall have a right to contract for two percent (2%) of such water: Provided, That within each of these service areas, each contractor shall have the right to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available to that service area in any year, in an amount which bears the same ratio to the total amount of surplus water

available to the service area in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors in that service area requesting surplus water: Provided, further, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. As used in this paragraph, "contractors in the San Joaquin Service Area" shall mean: Devil's Den Water District, Dudley Ridge Water District, Empire West Side Irrigation District, Hacienda Water District, Kern County Water Agency, and Tulare Lake Basin Water Storage District; "contractors in the Southern California Service Area" shall mean: Antelope Valley-East Kern Water Agency, City of West Covina, Coachella Valley County Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Irrigation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water

District, San Gorgonio Pass Water Agency, The Metropolitan Water District of Southern California, Upper Santa Clara Valley Water Agency, and Ventura County Flood Control District; "contractors in the Central Coastal Service Area" shall mean: San Luis Obispo County Flood Control and Water Conservation District and Santa Barbara County Flood Control and Water Conservation District.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water to which the contractor is entitled under this subdivision: Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount

and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the District to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the District in the amount of the surcharge forwarded by the District to the State in the preceding year.

(2) The District shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about

a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 47(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

P. G. Torres

Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

Edwin S. Wan

Approved as to form and execution:

Robert J. Webb

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

Hugo Wells

SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT

Location and Size

The Santa Clara County Flood Control and Water District includes all of Santa Clara County. The County, as of July 1, 1964, encompassed an area of 849,300 acres and had an estimated population of 853,500.

Water Supply and Utilization

The major portion of the water used in the District is pumped from the underlying ground water basins. The balance, supplied by the City of San Francisco, is used for municipal and industrial purposes in the northwest portion of the District. Agricultural irrigation accounts for slightly more than half of the water consumed in the District. Municipal and industrial use, however, is expected to overtake agricultural use within a few years and greatly exceed it by 1990.

Items of Contract Information Unique to Agency

Date of Contract - Preamble

November 20, 1961

Agency's Principal Place of Business - Preamble

San Jose

Estimated Year of Initial Water Delivery - Article 6(a)

USBR 1964
Project 1967

Date of Request as to Delivery Structures - Article 10(b)

December 31, 1961

Limit on Instantaneous Rate of Delivery - Article 12(c)

180 cfs

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT FOR A WATER SUPPLY

November 20, 1961

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STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
FOR A WATER SUPPLY

THIS CONTRACT, made this 20th day of November, 1961, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and Santa Clara County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Jose, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. Definitions. When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on November 8, 1960.

(d) "Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) "Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) "Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) "Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) "Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing any reduction in the minimum project yield, as hereinafter defined, below the total of the maximum annual entitlements of all contractors.

(i) "Project transportation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) The following facilities specified in subparagraph (2) thereof: The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a South Bay Pumping Plant, to the extent required for water transportation as determined by the State, and a South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara, but not including any portion of Del Valle Reservoir which may be allocated to conservation of water from Arroyo Del Valle Watershed.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) "Project water" shall mean water made available for delivery to the contractors by the project conservation facilities and by the transportation facilities included in the System.

(k) "Bureau - State Contract" shall mean any contract or contracts between the United States and the State providing for delivery of water by the Bureau of Reclamation into project transportation facilities for subsequent delivery to contractors.

(l) "Bureau water" shall mean water purchased by the State from the United States Bureau of Reclamation under the Bureau - State contract, and made available for delivery to the contractors by the transportation facilities included in the System.

(m) "Bureau agricultural water" shall mean Bureau water used primarily in the commercial production of plant crops or livestock.

(n) "Bureau municipal, industrial and domestic water" shall mean Bureau water other than Bureau agricultural water.

(o) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative porportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(p) "Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(q) "Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(r) "Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the total of the maximum annual entitlements of all contractors, or in addition to the minimum project yield, if greater than said total, and for meeting local needs.

(s) "Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the total of the maximum annual entitlements of all contractors, or in excess of the minimum project yield, if greater than said total.

(t) "Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(u) "Bureau water year" shall mean the 12-month period commencing March 1 of each year.

(v) "Year of initial project water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(w) "Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimel fraction to five places.

(x) "Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, relocation work, and essential administrative work in connection therewith, all as shown upon the official records of the Department of Water Resources.

(y) "Project repayment period" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after November 8, 1960, first expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(z) "Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) "Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(bb) "Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(cc) "Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(dd) "Area of origin statutes" shall mean Section 10505 and Sections 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. Term of Contract. This contract shall become effective on the date first above written and shall remain in effect throughout the project repayment period, or for seventy-five (75) years, whichever period is longer.

3. Validation. Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. Option for Continued Service. By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

(1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.

(2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.

(3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.

(4) Retention of the same chemical quality objective provision as is set forth herein.

(5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements; Interim Service of Bureau Water.

(a) The year of initial Bureau water delivery to the District is presently estimated to be 1964. The year of initial project water delivery is presently estimated to be 1967. To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Each year prior to the year of initial project water delivery to the District and commencing in 1964, which year shall correspond to year "1" in Table A, included in subdivision (c) of this article, the State, to the extent Bureau water is available to the State, shall make Bureau water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That such service of Bureau water shall be subject to all applicable terms and conditions of this contract governing the service of project water, unless otherwise specifically provided; to all applicable terms and conditions of the Bureau-State Contract; and to the following special terms and conditions:

(1) In any year in which there may occur for any reason a shortage in the supply of Bureau water available for delivery to those contractors entitled to receive such water under their respective contracts, with the result that such supply is less than the total of the amounts of Bureau water to be made available to such contractors under their respective contracts in that year, the State shall, by amendment of Table A in the respective contract, reduce the amount of water to be made available for

delivery to each such contractor under its contract in that year in an amount which bears the same proportion to the amount of the shortage in said Bureau water supply that the amount of Bureau water otherwise to be made available for delivery to the contractor under its contract in that year bears to the total of the amounts of Bureau water otherwise to be made available for delivery to all such contractors under their respective contracts in that year, all as determined by the State: Provided, That the State may apportion the available supply of Bureau water on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year.

(2) Bureau agricultural water delivered to the District pursuant to this contract shall not be furnished by the District to any excess land as hereinafter defined. As used in this subdivision (b) of Article 6, but not as used in Article 30, the term "excess land" shall mean that part of the irrigable land within the district in excess of one hundred-sixty (160) acres held in the beneficial private ownership of any one person and the term "nonexcess land" means all irrigable land which is not excess land. As a condition precedent to the right to receive water made available pursuant to this contract each owner of excess land shall be required to select his nonexcess land and to file in the office of the district and with the State, in duplicate, one copy thereof to be furnished by the State to the United States, his written designation and description thereof. Upon the failure of the landowner to do so the State shall make such designation and mail a notice thereof to such landowner. In the event the State fails to act within a reasonable period of time, such designation may be made

by the United States by notice to the State and the landowner. The landowner shall then be bound by such designation and the district shall furnish water provided under this contract only to the designated nonexcess land. A landowner may, with the consent of the United States, change the designation provided that an equal acreage of land previously designated as nonexcess shall become excess.

(c) Service of Bureau water to the District pursuant to subdivision (b) of this article shall cease in the year preceding the year of initial project water delivery to the District, except as provided in subparagraph (3) of that subdivision. Commencing with the year of initial project water delivery to the District, the State each year shall make project water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That if the District receives service of Bureau water during the year of initial project water delivery to the District pursuant to subparagraph (3) of subdivision (b) of this article, the amount of project water made available for delivery to the District in said year shall be only that portion of the amount of water designated in Table A for said year which is not determined by the State to be Bureau water pursuant to said subparagraph (3). The amount of water designated in Table A for the year of delivery corresponding to the year of initial project water delivery to the District, less any portion thereof which is determined by the State to be Bureau water pursuant to subparagraph (3) of subdivision (b) of this article, and the amounts of water designated in Table A for all succeeding years are referred to in this contract as the District's annual entitlements and shall be subject to change as provided in Article 7(a).

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY TO
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Amount in Acre-feet
1	25,800
2	51,600
3	70,500
4	88,000
and each succeeding year thereafter, for the term of this contract:	88,000

(d) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of Bureau water to the District in such manner and at such times that said delivery can commence on or before July 1, 1964, and to complete the project facilities necessary for delivery of project water to the District in such a manner and at such times that said delivery can commence in or before 1967 and can thereafter continue in the amounts designated in Table A.

7. Change in Annual Entitlements; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the annual entitlements designated in Table A, included in Article 6(c). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in said annual entitlements shall be incorporated in Table A by amendment thereof: Provided, That no such change shall be approved if, in the judgment of the State, it would impair the financial feasibility of the project facilities.

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 88,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

8. Option to Increase Maximum Annual Entitlement.

(a) In the event that the maximum annual entitlements to water from the South Bay Aqueduct under all contracts executed by the State on or before November 30, 1961, do not aggregate 210,000 acre-feet per year, the State shall immediately notify all contractors served by the South Bay Aqueduct, and each such contractor may request that it become entitled to any amount of the 210,000 acre-feet per year of water not contracted for. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(b) In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify all contractors, and each contractor may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the contractor's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time, and to the extent that project water can be made available to the District through Project Transportation Facilities. Such option shall become effective on the date that the contractor

receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the contractors under this option on or before September 30, 1964, each contractor may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time.

(c) Upon the approval of a request or upon the exercise of an option provided for in this article, the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Delivery Water Made Available

Project water made available to the District pursuant to Article 6 shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: Provided, That in such event, the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before December 31, 1961, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. Measurement of Water Delivered.

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

12. Amounts, Times, and Rates of Delivery.

(a) The amounts, times, and rates of delivery of project water to the District during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 6(c), 7(b), 10, and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) In no event shall the State contract to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be put to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be put to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations shall be based on an appropriate apportionment of such contractor's annual entitlement for the respective year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised for a particular contractor by amendment of this subdivision after submission to the State of that contractor's requests with respect to maximum monthly deliveries, such revision

being subject to approval by the State and subject to advancement to the State by the contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, the amount of such funds to be determined pursuant to Article 24(d).

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding one hundred eighty (180) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(c), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13. Responsibilities for Delivery and Distribution of Water.

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. Temporary Discontinuance or Reduction of Delivery.

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such

other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement, respectively, contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement, respectively, allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(c), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlements shall in all respects be subject to the terms and conditions of this contract.

(d) The State shall make no other contract to supply water for use within the District's boundaries without the consent of the Board of Supervisors of the District.

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16. Continuity and Dependability of Water Supply.

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial project water delivery to the District, the State shall submit to the District at not more than five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond

funds may be used, to the extent permitted in the Bond Act, to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That prior to December 31, 1961, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities.

(b) The State shall design and construct the project transportation facilities so as to provide in each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(c), 7(b),

12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's annual entitlement for the respective year to be put to municipal use and eighteen percent (18%) of that portion of the District's annual entitlement for the respective year to be put to agricultural use, all as determined by the State, and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding the sum of eleven percent (11%) of that portion of the District's maximum annual entitlement to be put to municipal use in the respective year and eighteen percent (18%) of that portion of the District's maximum annual entitlement to be put to agricultural use in the respective year, all as determined by the State: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each such reservoir of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and

specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five percent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to: (1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made

prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the capital cost component of the Transportation Charge, but the District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with

such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for the purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining, and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

(f) The State shall design and construct the project transportation facilities so that the terminal turnout in Santa Clara County to be located just northerly of Calaveras road in the Milpitas area is at an elevation of not less than 468 feet above mean sea level, and each aqueduct reach shall have at least the capacity specified in Article 23.

18. Shortage in Water Supply.

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State; Provided, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual

entitlements of all contractors for that year, all as determined by the State: Provided, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield below the total of the maximum annual entitlements of all contractors, or if for any other reason there is such reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A, included in Article 6(c) and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: Provided, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A, included in

Article 6(c), and of Article 7(b), respectively, to correspond to to the reduced supply of project water to be made available to the District: Provided, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto

against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or (c) of this article, circumstances arise which, in the judgment of the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16(c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

(g) The provisions of this article, with the exception of subdivision (f) hereof, shall not apply to shortages in the supply of Bureau water available for delivery to the contractors.

19. Water Quality.

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR SANTA CLARA COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total Dissolved Solids	ppm.	440	220	-
Total Hardness	ppm.	180	110	-
Chlorides	ppm.	110	55	-
Sulfates	ppm.	110	20	-
Sodium Percentage	%	50	40	-
Fluoride	ppm.	-	-	1.5
Lead	ppm.	-	-	0.1
Selenium	ppm.	-	-	0.05
Hexavalent Chromium	ppm.	-	-	0.05
Arsenic	ppm.	-	-	0.05
Iron and Manganese together	ppm.	-	-	0.3
Magnesium	ppm.	-	-	125.0
Copper	ppm.	-	-	3.0
Zinc	ppm.	-	-	15.0
Phenol	ppm.	-	-	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

(d) The provisions of this article shall not apply to Bureau water made available for delivery to the District.

20. Suspension of Service. In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: Provided, That during such period the District shall remain obligated to make all payments required under this contract: Provided further, That notwithstanding the above notice provision, no Bureau water shall be furnished to the District pursuant to Acticle 6(b) if the District is in arrears in the payment to the State of any charges of the State levied or established by the State hereunder and necessary for the purpose of raising revenues to meet the payment by the State to the United States of the State's obligation under the Bureau-State contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. Sale of Surplus Water. If during any year the supply of project water, after appropriate allowance for holdover storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that all contractors which contribute to the payment of the costs

of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

21.5 Bureau Water Charge.

(a) The payments to be made by each contractor receiving service of Bureau water shall include an annual charge, during the period of such service, designated as the Bureau Water Charge. This charge shall return to the State during such period all amounts paid to the Bureau by the State to obtain water for the contractor under the Bureau-State contract. For each contractor, the Bureau Water Charge shall be the sum of the following: (1) the product of $3.50 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau agricultural water as determined by the State; (2) the product of $10.00 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau municipal, industrial and domestic water as determined by the State; and (3) the cost of the pro-rata share of water lost from the project transportation facilities due to evaporation, leakage, seepage, or other causes, taking into account the quantities of Bureau agricultural water and Bureau municipal, industrial and domestic water made available for delivery to the contractor in the respective Bureau water year under its contract: Provided, That if in any year the amount of Bureau water to be made available for delivery to the contractor under its contract is reduced by reason of shortage as provided in Article 6(b)(1), the Bureau Water Charge shall be computed on the basis of such reduced amount. In computing the charge, the State shall determine the amounts of Bureau agricultural water and Bureau municipal,

industrial, and domestic water to be made available for delivery to the contractor on the basis of estimates of Bureau water use, taking into account measurements of past surface use of such water made pursuant to subdivision (c) of this article: Provided, That prior to March 1, 1968, fifty-two percent (52%) and thereafter forty-five percent (45%) of all Bureau water delivered to the District under this contract and used for ground water recharge or storage shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water: Provided further, That fifty-four percent (54%) of the amount of Bureau water made available for delivery to the District under this contract in the first year of such delivery shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water.

(b) The District's failure or refusal to accept delivery of Bureau water made available for delivery to it under Article 6(b) and Table A included in Article 6(c) shall not affect the computation of the Bureau Water Charge as provided for in subdivision (a) of this article and shall in no way relieve the District of its obligation to make payment of the charge, as so computed, pursuant to Article 29.

(c) The District shall measure separately, with equipment satisfactory to the State, Bureau water delivered to it for ground water recharge, Bureau agricultural water delivered to it for surface use, and Bureau municipal, industrial, and domestic water delivered to it for surface use, and shall keep and maintain accurate and complete records thereof. At any time or times, the State may inspect such measuring equipment, and the measurements and records taken therefrom.

(d) Obligations of the District arising out of, pursuant, or incidental to the Bureau-State contract shall constitute a general obligation of the District notwithstanding the default in the payment to the District by individual water users of assessments, tolls, or other charges levied by or owing to the District and the District agrees to use all powers and resources available to it under the laws of the State of California to collect the funds necessary to meet such obligations.

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article during the project repayment period. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation,

maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the project repayment period

all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1-r_1)(1+i)^{-1}+(c_2-r_2)(1+i)^{-2}+\ldots+(c_n-r_n)(1+i)^{-n}}{e_1(1+i)^{-1}+e_2(1+i)^{-2}+\ldots+e_n(1+i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs for the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category for the respective year of the project repayment period.

1, 2, and n appearing below c and r = The respective year of the project repayment period for which costs are included in the respective category, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components; the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

n used as an exponent = The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable costs-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I, the aqueduct from the Delta to San Luis

Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivision (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and

reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first

incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

23. Transportation Charge. The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor during the project repayment period in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17 (a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the

project transportation facilities are established as follows:

Provided, That those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach	Major Features of Reach
Delta through Bethany Forebay:	Intake Canal Fish Protective Facilities Aqueduct Pumping Plant I Aqueduct (including interim intake canal and interim pumping plant)
Bethany Forebay to Doolan-Livermore Junction:	South Bay Pumping Plant Aqueduct - min. capacity 300 cfs
Doolan-Livermore Junction through Patterson Reservoir:	Aqueduct - min. capacity 300 cfs Patterson Reservoir
Patterson Reservoir to Del Valle Turnout:	Aqueduct - min. capacity 265 cfs
Del Valle Branch:	Del Valle Reservoir Del Valle Pumping Plant Aqueduct - min. capacity 108 cfs
Del Valle Turnout to Alameda-Bayside Turnout:	Aqueduct - min. capacity 255 cfs
Alameda-Bayside Turnout through Airpoint Reservoir:	Aqueduct - min. capacity 180 cfs Airpoint Reservoir

24. Transportation Charge - Capital Cost Component.

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach, and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Aqueduct reach	Total for project transportation facilities				District participation			
	Total of maximum annual entitlements of all contractors thousands of acre-feet per year [1]	Total of maximum capacities in cubic-feet per second [1] [4]	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars [2]	Maximum annual entitlement, thousands of acre-feet per year [1]	Ratio of maximum annual entitlement to total of maximum annual entitlements	Maximum capacity in cubic-feet per second [1]	Ratio of maximum capacity to total capacity	Average of ratios
Delta through Bethany Forebay [3]									
Bethany Forebay to Doolan-Livermore Junction									
Doolan-Livermore Junction through Patterson Reservoir									
Patterson Reservoir to Del Valle Turnout									
Del Valle Branch									
Del Valle Turnout to Alameda-Bayside Turnout									
Alameda-Bayside Turnout through Airpoint Reservoir									

1/ As increased by an allowance to compensate for losses as provided in Article 24(b) (2).
2/ Based on values as of the end of the construction period.
3/ Costs allocated to water transportation.
4/ State capacity only.

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prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation.

Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C

PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Projected Allocation in Thousands of Dollars
1*	
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*Year in which State commenced construction of project transportation facilities, 1959.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a payment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The district's payment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2			
3			
4			
5**			
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TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
43			
44			
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72			
73			
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79			
80			
TOTAL			

*Year in which the State commenced construction of the project transportation facilities, 1959.
**Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective

contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

(e) The District's allocated capital costs for the year 1962, pursuant to subdivision (c) of this article shall consist of the sum of the District's allocated capital costs for each year through December 31, 1962, and interest thereon, computed at the project interest rate and compounded annually.

25. Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component.

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as design and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E

TRANSPORTATION CHARGE-MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

*Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

**Year in which the State commenced construction of the project transportation facilities, 1959.

sc

26. Transportation Charge - Variable Operation, Maintenance, Power, and Replacement Component.

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of

water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article

for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F

TRANSPORTATION CHARGE-ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by District* (In thousands of dollars)
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31 and each succeeding year thereafter, for the term of this contract.	

*Payments start with year of initial water delivery.

**Year in which State commenced construction of project transportation facilities, 1959.

27. Transportation Charge - Payment Schedule. The amounts to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a), which Table G shall constitute a summation of Tables D, E, and F: Provided, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G

PAYMENT SCHEDULE
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
4**				
5				
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7				
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TABLE G (Continued)

PAYMENT SCHEDULE
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
43				
44				
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*Year in which State commenced construction of project transportation facilities, 1959.

**Year of first payment.

28. Transportation Charge - Redetermination. The State shall redetermine the values and amounts set forth in the tables included in Articles 24 through 27 of this contract in 1962 and each year thereafter in order that the Transportation Charge to the District and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Article 23, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of the tables included in Articles 24 through 27 shall be prepared by the State and attached to this contract as amendments of those articles respectively.

29. Time and Method of Payment.

(a) Payments by the District under the Bureau Water Charge shall commence in the year when Bureau water is first made available for delivery to the District pursuant to Article 6(b).

(b) Payments by the District under the Delta Water Charge shall commence in the year of initial project water delivery to the District.

(c) Payments by the District under the capital cost component of the Transportation Charge shall commence in 1963.

(d) Payments by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed, or in the year of initial water delivery, whichever is earlier.

(e) Payments by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(f) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) The Bureau Water Charge to the District for the next succeeding Bureau water year; (2) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power, and

replacement components of the Delta Water Charge and Transportation Charge; (3) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge; and (4) the total charges to the District for the preceding year under the variable operation, maintenance, power, and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b): Provided Further, that the first such statement shall be provided by the State as soon after the execution of this contract as is feasible. All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(g) The District shall pay to the State, on or before February 1 of each year, commencing as provided in subdivision (a) of this article, one-half (1/2) of the Bureau Water charge to the District for the Bureau water year as stated pursuant to subdivision (f) of this article, and shall pay the remainder of said charge prior to the time that the amount of Bureau water made available for delivery to the District under its water delivery schedule for that 12-month period, established pursuant to Article 12, equals the amount for which payment has been made, but in any event not later than July 1 of that year.

(h) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the District for the year under the capital cost component of the Delta Water Charge and one-half (1/2) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (f) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

(i) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (f) of this article.

(j) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (f) of this article, as such charges as stated in such statement.

(k) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (f) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. Surcharge for Excess Use of Project Water.

(a) As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to pay capital costs properly chargeable to energy generation and the costs of operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \ldots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \ldots + e_n(1+i)^{-n}}$$

where:

i = The project interest rate.

c = The projected annual power credit accrued during the respective year of the project repayment period.

1, 2, and n appearing below c = The respective year of the project repayment period during which the power credit is accrued, n being the last year of the project repayment period.

e = The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements occur, n being the last year of the project repayment period.

n used as exponent = The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2.00 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The state shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or

decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial project water delivery: (1) certify in writing to the retail agency on forms prescribed

and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water applied in any year within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same

proportion to the total amount of water so used on that excess land during such year as the total amount of water applied within that area during such year, less the total amount of nonproject water so applied during such year, bears to the former amount.

(3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

(f) Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) In the event that any retail agency or other agency by, through, or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (e) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through, or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (c) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent

jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

(j) The provisions of this article shall not apply to Bureau water as defined in Article 1(l).

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after it becomes due and payable, interest shall accrue at the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: Provided, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. Obligation of District to Make Payments.

(a) The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(c) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

(b) The District as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the District of assessments, tolls, or other charges levied by the District.

34. Obligation of District to Levy Taxes and Assessments.

(a) If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall upon written notice from the State levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (2) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(c) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) In the event of failure, neglect, or refusal of any officer of the District to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or

assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. Remedies Not Exclusive. The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. Amendments. This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law. The State shall promptly furnish the District with copies of all other contracts now or hereafter executed by the State for a dependable supply of project water, and of any amendments thereof.

37. Reservation With Respect to State Laws. Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. Opinions and Determinations. Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. Contracting Officer of the State. The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. Successors and Assigns Obligated. This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. Assignment. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. Waiver of Rights. Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources

P. O. Box 388

Sacramento 2, California

and the State shall address all notices to the District as follows:

Santa Clara County Flood Control and
Water Conservation District

70 West Rosa Street

San Jose, California

44. Maintenance and Inspection of Books, Records, and Reports.

(a) During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

(b) The district shall furnish to the Bureau of Reclamation a report on crops raised and agricultural and livestock products produced on the land within the district. This report shall be furnished to the Regional Director, Region 2, Bureau of Reclamation, Sacramento, annually on or before December 31 for each year in which Bureau water is received, and a copy shall be provided to the State.

45. (a) Contracts executed by the State for a dependable supply of project water from the South Bay Aqueduct shall be substantially uniform with respect to basic terms and conditions.

(b) Contracts executed by the State for a dependable supply of project water shall be in substantial conformity with the provisions of the water supply contract between the State and The Metropolitan Water District of Southern California dated November 4, 1960, except as variations are permitted by Article 45 of that contract.

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA

By _____
Governor

Approved as to legal form and sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

Attest:

_____
Clerk of the Board
Santa Clara County Flood Control
and Water Conservation District

SANTA CLARA COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

By _____
Chairman

Approved as to form and execution:

_____
Manager - Counsel
Santa Clara County Flood Control
and Water Conservation District

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1 TO
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT FOR A WATER SUPPLY

THIS CONTRACT, made this 16th day of December 1963, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Santa Clara County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Jose, California, herein referred to as the "District,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, the State and the District have entered into a water supply contract, dated November 20, 1961, providing that the State shall

supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

WHEREAS, the State and the District desire to make certain changes and additions to the above-mentioned contract, while otherwise continuing the contract in full force and effect;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Article 6 is amended to read as follows:

6. Annual Entitlements; Interim Service of Bureau Water.

(a) The year of initial Bureau water delivery to the District is presently estimated to be 1965. The year of initial project water delivery is presently estimated to be 1967. To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Each year prior to the year of initial project water delivery to the District and commencing in 1965, which year shall correspond to year "1" in Table A, included in subdivision (c) of this article, the State, to the extent Bureau water is available to the State, shall make Bureau water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That such service of Bureau water shall be subject to all

applicable terms and conditions of this contract governing the service of project water, unless otherwise specifically provided; to all applicable terms and conditions of the Bureau-State Contract; and to the following special terms and conditions:

(1) In any year in which there may occur for any reason a shortage in the supply of Bureau water available for delivery to those contractors entitled to receive such water under their respective contracts, with the result that such supply is less than the total of the amounts of Bureau water to be made available to such contractors under their respective contracts in that year, the State shall, by amendment of Table A in the respective contract, reduce the amount of water to be made available for delivery to each such contractor under its contract in that year in an amount which bears the same proportion to the amount of the shortage in said Bureau water supply that the amount of Bureau water otherwise to be made available for delivery to the contractor under its contract in that year bears to the total of the amounts of Bureau water otherwise to be made available for delivery to all such contractors under their respective contracts in that year, all as determined by the State: Provided, That the State may apportion the available supply of Bureau water on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year.

(2) Bureau agricultural water delivered to the District pursuant to this contract shall not be furnished by the District to any

excess land as hereinafter defined. As used in this subdivision (b) of Article 6, but not as used in Article 30, the term "excess land" shall mean that part of the irrigable land within the district in excess of one hundred-sixty (160) acres held in the beneficial private ownership of any one person and the term "nonexcess land" means all irrigable land which is not excess land. As a condition precedent to the right to receive water made available pursuant to this contract each owner of excess land shall be required to select his nonexcess land and to file in the office of the district and with the State, in duplicate, one copy thereof to be furnished by the State to the United States, his written designation and description thereof. Upon the failure of the landowner to do so the State shall make such designation and mail a notice thereof to such landowner. In the event the State fails to act within a reasonable period of time, such designation may be made by the United States by notice to the State and the landowner. The landowner shall then be bound by such designation and the district shall furnish water provided under this contract only to the designated nonexcess land. A landowner may, with the consent of the United States, change the designation provided that an equal acreage of land previously designated as nonexcess shall become excess.

(3) Service of Bureau water to the District shall extend into the year of initial project water delivery to the District for any portion thereof in which project water is not available for delivery to the District: Provided,

That an appropriate portion of the amount of water designated in Table A for said year shall be determined by the State to be Bureau water for the purposes of this contract, in accordance with the District's delivery schedule for that year established pursuant to Article 12.

(c) Service of Bureau water to the District pursuant to subdivision (b) of this article shall cease in the year preceding the year of initial project water delivery to the District, except as provided in subparagraph (3) of that subdivision. Commencing with the year of initial project water delivery to the District, the State each year shall make project water available for delivery to the District in the amounts designated in Table A for the respective years of delivery: Provided, That if the District receives service of Bureau water during the year of initial project water delivery to the District pursuant to subparagraph (3) of subdivision (b) of this article, the amount of project water made available for delivery to the District in said year shall be only that portion of the amount of water designated in Table A for said year which is not determined by the State to be Bureau water pursuant to said subparagraph (3). The amount of water designated in Table A for the year of delivery corresponding to the year of initial project water delivery to the District, less any portion thereof which is determined by the State to be Bureau water pursuant to subparagraph (3) of subdivision (b) of this article, and the amounts of water designated in Table A for all succeeding years are referred to in this contract as the District's annual entitlements and shall be subject to change as provided in Article 7(a).

TABLE A

ANNUAL AMOUNTS OF WATER TO BE
MADE AVAILABLE FOR DELIVERY TO
SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Amount in Acre-feet
1	25,600
2	38,100
3	50,600
4	88,000
5	88,000
6	88,000
7	88,000
8	88,000
9	88,000
10	88,000
11	88,000
12	88,000
13	88,000
14	88,000
15	88,000
16	88,000
17	88,000
18	88,000
19	88,000
20	88,000
21	88,000
22	88,000
23	88,000
24	88,000
25	90,000
26	92,000
27	94,000
28	96,000
29	98,000
30	100,000
and each succeeding year thereafter, for the term of this contract:	100,000

(d) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of Bureau water to the District in such manner and at such times that said delivery can commence on or before April 1, 1965, and to complete the project facilities necessary for delivery of project water to the District in such a manner and at such times that said delivery can commence in or before 1967 and can thereafter continue in the amounts designated in Table A.

2. Subdivision (b) of Article 7 is amended to read as follows:

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 100,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 and 15(c).

3. Article 7 is amended by addition of subdivisions (c), (d), (e), and (f), to read as follows:

(c) Subject to approval by the State and similar rights of other contractors, the District may increase its annual entitlement for any year in which local water supplies available to the District are deficient due to climatic conditions up to the amount of its maximum annual entitlement: Provided, That such increase in delivery of water shall not interfere with the delivery of their respective annual entitlements to other contractors.

(d) In a year in which the District is unable to accept an amount of project water equal to its annual entitlement for that year because of above-average local water supply available to the District due to climatic conditions which occurs subsequent to a year in which the District has increased its annual entitlement pursuant to subdivision (c) of this article, the District may make a reduction in its annual entitlement which shall not exceed the sum of all prior increases in annual entitlement made under subdivision (c) of this article less the sum of all prior decreases in annual entitlement made under this subdivision.

(e) In the event that, due to conditions of above-average local water supply available to the District because of favorable climatic conditions, the District in any year is unable to accept an amount of project water equal to its annual entitlement for said year as set forth in Table A, included in Article 6(c), the District shall remain obligated to make all payments required under this contract, as set forth in Article 9, including the

capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge: Provided, That the District's annual entitlement for said year is not reduced under the provisions of subdivision (d) of this article.

(f) In a year in which local water supplies available to the District are deficient because of climatic conditions which occurs subsequent to a year in which deliveries to the District have been decreased under subdivision (e) of this article the District may request and the State shall, consistent with similar rights of other contractors, deliver project water in an amount greater than the annual entitlement set forth for that year in Table A included in Article 6(c) but not to exceed the sum of all prior amounts of project water not delivered to the District, but for which the District has paid the capital cost component and the minimum operation, maintenance, power and replacement component of the Delta Water Charge under subdivision (e) of this article, less the sum of all prior deliveries of project water to the District under the provisions of this subdivision: Provided, That the sum of the annual entitlement of the District for that year and the amount of water delivered to the District in excess of its annual entitlement under this subdivision shall not exceed the maximum annual entitlement of the District: Provided further, That such increase in delivery of water shall not interfere with the delivery of their respective annual entitlements to other contractors, but shall be paramount to the right of any contractor to receive surplus water.

4. Article 12(d) is amended to read as follows:

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A, included in Article 6(c), as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

5. Article 14(b) is amended to read as follows:

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or succeeding years, to the extent that such water is then available and such election is consistent with the State's overall delivery ability considering the then current delivery schedules of all contractors.

6. Subdivision (f) of Article 17 is amended to read as follows:

(f) The State shall design and construct the project transportation facilities so that the terminal turnout in Santa Clara County shall be located approximately 3,000 feet east of Piedmont Road near Penitencia

Creek and each aqueduct reach shall have at least the capacity specified in Article 23.

7. Article 21.5 (a) is amended to read as follows:

(a) The payments to be made by each contractor receiving service of Bureau water shall include an annual charge, during the period such service, designated as the Bureau Water Charge. This charge shall return to the State during such period all amounts paid to the Bureau by the State to obtain water for the contractor under the Bureau-State contract. Payments of this charge shall be made in advance so as to provide the State with sufficient funds to make payments to the Bureau as required under the Bureau-State Contract. For each contractor, the Bureau Water Charge shall be the sum of the following: (1) the product of $3.50 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau agricultural water as determined by the State; (2) the product of $10.00 and that portion of the amount of water to be made available for delivery to the contractor in the respective Bureau water year under its contract which is Bureau municipal, industrial and domestic water as determined by the State; and (3) the cost of the pro rata share of water lost from the project transportation facilities due to evaporation, leakage, seepage, or other causes, taking into account the quantities of Bureau agricultural water and Bureau municipal, industrial and domestic water made available for delivery to the contractor in the respective Bureau water year under its contract: Provided, that if any year the amount of Bureau water to be made available for delivery to the contractor under its contract is reduced by reason of shortage

as provided in Article 3(b)(1), the Bureau Water Charge shall be adjusted on the basis of such reduced amount. In computing the charge, the State shall determine the amounts of Bureau agricultural water and Bureau municipal, industrial, and domestic water to be made available for delivery to the contractor on the basis of estimates of Bureau water use of such water made pursuant to subdivision (c) of this article: Provided further, That prior to March 1, 1968, fifty-two percent (52%) and thereafter forty-five percent (45%) of all Bureau water deliverd to the District under this contract and used for ground water recharge or storage shall be deemed to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water: Provided further, That for purposes of the first year's advance payment fifty-four percent (54%)of the amount of Bureau water made available for delivery to the District under this contract shall be estimated to be Bureau agricultural water and the remainder Bureau municipal, industrial, and domestic water; Provided further, That an adjustment in the following year's bill shall be made in the event that the proportion between Bureau agricultural water and Bureau municipal, industrial, and domestic water differs from the estimate.

8. Article 22 is amended by addition of subdivision (h) to read as follows:

(h) Payments by the District pursuant to Articles 7(d) and 7(f) shall be such that the total payments to be State for the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge during the project repayment period shall be the same as if no change in annual entitlement had been made under Article 7(c)and no decrease in water delivery had been made under Article 7(e).

(1) In the event of a decreased annual entitlement to the

District under Article 7(d), the District shall, in addition to the Delta Water Charge computed pursuant to subdivision (d) of this article, pay an amount which shall be the product of the amount of the decrease in the annual entitlement and the difference in the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate year in which the annual entitlement was increased under Article 7(c). The appropriate year for which the annual entitlement was so increased shall be the earliest year not offset by a decrease of annual entitlement pursuant to Article 7(d).

(2) In a year in which an increased quantity of water is furnished under Article 7(f), the Delta Water Charge shall be computed pursuant to subdivision (d) of this article, and in addition the District shall pay an amount which shall be the product of such increase in quantity and the difference in the capital costs and minimum operation, maintenance, power and replacement components of the Delta Water Charge for that year and the same components of the Delta Water Charge for the appropriate previous year in which the delivery was less than the annual entitlement as provided under Article 7(e). The appropriate previous year shall be the earliest year in which such water was not delivered under Article 7(e) which has not been offset by increased delivery under Article 7(f).

(3) For the purposes of this subdivision, the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge prior to December 31, 1969, shall be deemed to be three dollars and fifty cents ($3.50) per acre-foot of water less the variable opera-

tion, maintenance, power and replacement component rate computed under subdivision (c) of this article.

9. The table of aqueduct reach descriptions at the end of Article 23 is amended to read as follows:

Aqueduct Reach	Major Features of Reach
Delta through Bethany Forebay:	Intake Canal Fish Protective Facilities Aqueduct Pumping Plant I (Delta Pumping Plant) Aqueduct (Including Interim Intake Canal and Interim Pumping Plant)
Bethany Forebay to Doolan-Livermore Junction:	South Bay Pumping Plant Aqueduct - min. capacity 300 cfs
Doolan-Livermore Junction through Patterson Reservoir:	Aqueduct - min. capacity 300 cfs Patterson Reservoir
Patterson Reservoir to Del Valle Branch:	Aqueduct - min. capacity 265 cfs
Del Valle Branch:	Aqueduct - min. capacity 265 cfs Del Valle Pumping Plant Aqueduct - min. capacity 108 cfs Del Valle Reservoir
Del Valle Branch to South Livermore Turnout:	Aqueduct - min. capacity 265 cfs
South Livermore Turnout to Vallecitos Turnout:	Aqueduct - min. capacity 255 cfs
Vallecitos Turnout to Alameda-Bayside Turnout:	Aqueduct - min. capacity 255 cfs
Alameda-Bayside Turnout to Penitencia Turnout:	Aqueduct - min. capacity 180 cfs

10. The aqueduct reach descriptions in Table B in Article 24 are amended to read as follows:

Aqueduct Reach
Delta through Bethany Forebay 3/
Bethany Forebay to Doolan-Livermore Junction
Doolan-Livermore Junction through Patterson Reservoir
Patterson Reservoir to Del Valle Branch
Del Valle Branch
Del Valle Branch to South Livermore Turnout
South Livermore Turnout to Vallecitos Turnout
Vallecitos Turnout to Alameda-Bayside Turnout
Alameda-Bayside Turnout to Penitencia Turnout

11. Article 29(g) is amended to read as follows:

(g) The District shall pay to the State, on or before February 1 of each year, commencing as provided in subdivision (a) of this article, one-half (1/2) of the Bureau Water Charge to the District for the Bureau water year as stated pursuant to subdivision (f) of this article, and shall pay the remainder of said charge prior to the time that the amount of Bureau water made available for delivery to the District under its water delivery schedule

for that 12-month period, established pursuant to Article 12, equals the amount for which payment has been made, but in any event not later than June 1 of that year.

12. Article 34(b) is amended to read as follows:

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

13. Article 47 is added to the contract to read as follows:

47. Amendatory Provisions.

a. Surplus Water.

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of the annual entitlements delivered for agricultural and ground water replenishment use during

the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year; Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified

in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration, but any such contract shall be subject to the rights of all contractors to increase annual entitlements by amendment to Table A, included in Article 6(c).

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form
and sufficiency:

P. G. Towner
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

SANTA CLARA COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

By _____
Chairman

Jean Bullen
Clerk of the Board
Santa Clara County Flood Control
and Water Conservation District

Approved as to form and execution:

Donald K Gurslin
Manager - Counsel
Santa Clara County Flood Control
and Water Conservation District

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 2 TO THE WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND SANTA CLARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

THIS CONTRACT, made this 28th day of September, 1964, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Santa Clara County Flood Control and Water Conservation District, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in San Jose, California, herein referred to as the "District,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, the State and the District have entered into a water supply contract, dated November 20, 1961, as amended December 16, 1963, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, the State and the District are desirous of making certain changes and additions to such contract, while otherwise continuing the contract in full force and effect;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Subdivision (o) of Article 1 is amended to read as follows:

(o) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

2. Subdivision (a) of Article 16 is amended to read as follows:

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

3. Subdivision (a) of Article 47 is amended to read as follows:

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to

any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water

to which the contractor is entitled under this subdivision: Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the

State the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the District to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

4. Subdivision (b) is added to Article 47 to read as follows:

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the District in the amount of the surcharge forwarded by the District to the State in the preceding year.

(2) The District shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 47(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

P. G. Tounsen
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By William E. Warne
Director

SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT

Jean Pullan

By M J Spangler
Chairman of the Board of Supervisors

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Location and Size

As of July 1, 1964, The Metropolitan Water District of Southern California was composed of 26 constituent units and its boundaries extended into six counties. The District encompassed an area of 2,825,300 acres in which an estimated 9,200,000 people lived.

Water Supply and Utilization

The District's only source of water at the time it contracted with the State for an additional supply was the Colorado River. Its share of Colorado River water, however, is inadequate to meet future estimated water requirements. Deliveries from the State Water Project will eventually surpass deliveries from the Colorado River.

Items of Contract Information Unique to Agency

Date of Contract - Preamble

November 4, 1960

Agency's Principal Place of Business - Preamble

Los Angeles, California

Estimated Year of Initial Water Delivery - Article 6(a)

1972

Date of Request as to Delivery Structures - Article 10(b)

June 30, 1963

Limit on Instantaneous Rate of Delivery - Article 12(c)

2,700 cfs (Increased by Amendment No. 1 to 3,650 cfs.)

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

CONTRACT BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES AND THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR A WATER SUPPLY

November 4, 1960

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STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

CONTRACT
BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
FOR A WATER SUPPLY

THIS CONTRACT, made this 4th day of November, 1960, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and The Metropolitan Water District of Southern California, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Los Angeles, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, funds will be provided under the California Water Resources Development Bond Act for the construction of said facilities; and

WHEREAS, the District is desirous of obtaining a supply of water from the State;

NOW THEREFORE, it is mutually agreed as follows:

A. INTRODUCTORY PROVISIONS

1. Definitions. When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) "Bond Act" shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(b) "System" shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(c) "Delta" shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Bond Act by the voters of the State of California.

(d) "Contractor" shall mean any entity contracting with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code.

(e) "Project facilities" shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta, and by conveying water to the District. Said project facilities shall consist specifically of "project conservation facilities" and "project transportation facilities", as hereinafter defined.

(f) "Project conservation facilities" shall mean such project facilities as are presently included, or as may be added in the future, under (g) and (h) below.

(g) "Initial project conservation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in said reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(h) "Additional project conservation facilities" shall mean those project facilities provided for in Section 12938 of the Water Code which will serve the purpose of preventing

any reduction in the minimum project yield, as hereinafter defined.

(i) "Project transportation facilities" shall mean the following project facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (2) thereof except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1) above.

(3) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1) and (2) above.

(j) "East Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(k) "West Branch Aqueduct" shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(l) "Project water" shall mean water made available for delivery to the contractors by the project conservation facilities and the transportation facilities included in the System.

(m) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,000,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

(n) "Annual entitlement" shall mean the amount of project water to be made available to a contractor during the respective year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(o) "Maximum annual entitlement" shall mean the maximum amount of project water to be made available to a contractor in any one year, at the delivery structures provided for such contractor, under the terms of its contract with the State.

(p) "Supplemental conservation facilities" shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the minimum project yield and for meeting local needs.

(q) "Supplemental water" shall mean water made available by supplemental conservation facilities, in excess of the minimum project yield.

(r) "Year" shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(s) "Year of initial water delivery" shall mean the year when project water will first be available for delivery to a contractor pursuant to its contract with the State.

(t) "Project interest rate" shall mean the weighted average of the interest rates paid by the State on bonds issued under the Bond Act without regard to any premiums received on the sale thereof. Until bonds are issued and sold under the Bond Act, the project interest rate shall be four percent (4%) per annum, and after said bonds have been issued said rate shall be computed as a decimal fraction to five places.

(u) "Capital costs" shall mean all costs incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Bond Act, including those so incurred prior to the beginning of the project repayment period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(v) "Project revenues" shall mean revenues derived from the service of project water to contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of project facilities.

(w) "Project repayment period" shall mean that period of years commencing on the first day of the year which immediately follows the year in which the State, after approval of the Bond Act by the voters of the State of California, first expends money for construction of any facility of the System, and extending until all bonds secured by the pledge of revenues provided for by the Bond Act have been repaid.

(x) "Municipal use" shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(y) "Manufacturing use" shall mean any use of water primarily in the production of finished goods for market.

(z) "Agricultural use" shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(aa) "Subject to approval by the State" shall mean subject to the determination and judgment of the State as to acceptability.

(bb) "Area of origin statutes" shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

2. Term of Contract. In the event that the Bond Act is not approved by the voters of the State of California at the election to be held on November 8, 1960, this contract shall be of no further force or effect. In the event that the Bond Act is approved by the voters at said election, this contract shall become fully effective on the ninety-first (91st) day after the adjournment of the 1961 Regular Session of the State Legislature and shall remain in effect throughout the entire project repayment period, or for seventy-five (75) years from the effective date of this contract, whichever period is longer: Provided, That if, by any legislative process initiated during said session of the Legislature, there is enacted into law any legislation which is inconsistent with any of the terms and conditions of this contract or which would require changes therein, this contract shall be subject to such legislation and thereupon shall become void and shall be of no further force or effect unless the District, within a period of one hundred eighty (180) days after the effective date of such legislation agrees to and executes appropriate amendments incorporating necessary modifications in this contract consistent with such legislation: Provided further, That unless otherwise specifically directed by the Legislature, Article 17(d) of this contract, limiting the sale of bonds and expenditure of funds under the authority of the Bond Act, shall not be so modified: Provided further, That no bonds shall be sold nor funds expended under the authority of the Bond Act until the expiration of said period of one hundred eighty (180) days after the effective date of such legislation: Provided further, That no financial obligation of the District to the State shall arise or be enforceable hereunder unless and until the validity of this contract is established by final judgment or decree of a court of competent jurisdiction.

3. Validation. Within one (1) year after the effective date of this contract, the District shall submit this contract to a court of competent jurisdiction for determination of its validity by a proceeding in mandamus or other appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment. In the event that this contract is determined to be invalid by such final decree or judgment, the State shall make all reasonable efforts to obtain validating legislation at the next session of the Legislature empowered to consider such legislation, and within six (6) months after the close of such session, if such legislation shall have been enacted, the District shall submit this contract to a court of competent jurisdiction for redetermination of its validity by appropriate proceeding or action, which proceeding or action shall be diligently prosecuted to final decree or judgment.

4. Option for Continued Service. By written notice to the State at least six (6) months prior to the expiration of the term of this contract, the District may elect to receive continued service after expiration of said term under the following conditions unless otherwise agreed to:

(1) Service of water in annual amounts up to and including the District's maximum annual entitlement hereunder.

(2) Service of water at no greater cost to the District than would have been the case had this contract continued in effect.

(3) Service of water under the same physical conditions of service, including time, place, amount and rate of delivery, as are provided for hereunder.

(4) Retention of the same chemical quality objective provision as is set forth herein.

(5) Retention of the same options to utilize the project transportation facilities as are provided for in Articles 18(b) and 18(c), to the extent such options are then applicable.

Other terms and conditions of the continued service shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued service for a limited number of years only, the District shall have the same option to receive continued service here provided for upon the expiration of that and each succeeding period of continued service.

5. Pledge of Revenues. This contract is entered into for the direct benefit of the holders and owners of all general obligation bonds issued under the Bond Act, and the income and revenues derived from this contract are pledged to the purposes and in the priority set forth in that act.

B. WATER SERVICE PROVISIONS

6. Annual Entitlements.

(a) The year of initial water delivery to the District is presently estimated to be 1972. To the extent practicable, the State shall notify the District of any change in this estimate.

(b) Commencing with the year of initial water delivery to the District, the State each year shall make available for delivery to the District the amounts of project water designated in the following table, which amounts shall be subject to change as provided for in Article 7(a) hereof and are referred to in this contract as the District's annual entitlements:

TABLE A

ANNUAL ENTITLEMENTS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Amount in Acre-feet
1	110,400
2	198,900
3	287,300
4	375,800
5	464,300
6	552,900
7	641,400
8	729,800
9	818,300
10	906,800
11	966,100
12	1,025,400
13	1,084,700
14	1,144,000
15	1,203,400
16	1,262,800
17	1,322,100
18	1,381,400
19	1,440,800
20	1,500,000
And each succeeding year thereafter, for the term of this contract:	1,500,000

(c) Subject to the availability of funds, the State shall make all reasonable efforts consistent with sound fiscal policies, reasonable construction schedules, and proper operating procedures to complete the project facilities necessary for delivery of project water to the District in such manner and at such times that said delivery can commence in or before the year specified in subdivision (a) of this article, and continue in the amounts designated in Table A.

7. Change in Annual Entitlements; Maximum Annual Entitlement.

(a) The District may, at any time or times during the term of this contract, by timely written notice furnished to the State, request that project water be made available to it thereafter in annual amounts greater or less than the amounts designated in Table A included in Article 6(b). Subject to approval by the State of any such request, the State's construction schedule shall be adjusted to the extent necessary to satisfy the request, and the requested increases or decreases in the annual amounts of project water to be made available shall be incorporated in said Table A by amendment thereof: Provided, That no such change shall be approved if it would impair the financial feasibility of the project facilities.

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 1,500,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 or 15(c).

(c) In the event that the State enters into a contract with a contractor for service of project water to an area outside the District, which area, as shown upon the official records of the District as of the date of execution of this contract, is proposed to be served by the District with project water made available pursuant to this contract, provision being made therefor in Table A included in Article 6(b), the District's

annual entitlements and maximum annual entitlement hereunder shall be appropriately reduced, effective on the effective date of said contract for service of project water by the State to such area outside the District, by amendment of said Table A and subdivision (b) of this article respectively: Provided, That such reductions shall not exceed the amounts of said contractor's annual entitlements and maximum annual entitlement under its contract. Upon any reduction in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, the State shall appropriately reduce: (1) the delivery capabilities to be provided in the project transportation facilities for service to the District, and (2) the District's payment obligations hereunder.

8. Option to Increase Maximum Annual Entitlement. In the event that the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, do not aggregate the amount of the minimum project yield as herein defined, the State shall immediately notify the District and all other contractors, and the District may elect to become entitled to the uncontracted for portion of the minimum project yield in or up to an amount which bears the same ratio to such uncontracted for portion as the District's maximum annual entitlement bears to the total of the maximum annual entitlements of all contractors as of that date: Provided, That such option may be exercised only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Such option shall become effective on the date that the District receives said notice from the State and shall remain in effect through September 30, 1964. If the full amount of such uncontracted for portion of the minimum project yield is not preempted by the District under this option and by other contractors through the exercise of similar options on or before September 30, 1964, the District may request that it become entitled to any amount of such water not so preempted. Such request shall be subject to approval by the State and shall be considered in the light of all similar requests from other contractors. The State shall approve such request only to the extent that the water involved can be put to beneficial use within a reasonable period of time. Upon the exercise of such option or upon the approval of

such request the District's maximum annual entitlement under Article 7(b) shall be increased by the amount of the additional entitlement thereby obtained by amendment of that article, and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for said increased entitlement shall in all respects be subject to the terms and conditions of this contract.

9. Obligation to Deliver Water Made Available. Project water made available to the District pursuant to Article 6(b) shall be delivered to the District by the State at the delivery structures established in accordance with Article 10. At any time or times the District may refuse to accept delivery of water made available to it: Provided, That the District shall remain obligated to make all payments required under this contract.

10. Delivery Structures.

(a) Project water made available to the District pursuant to this contract shall be delivered to the District at such locations and times and through delivery structures of such capacities as are requested by the District and approved by the State.

(b) Pursuant to subdivision (a) of this article, the District shall furnish to the State on or before June 30, 1963, its written requests as to:

(1) The location of delivery structures for delivery of project water to it.

(2) The time at which project water is first to be delivered through each such delivery structure.

(3) The maximum instantaneous flow capacity in cubic feet per second to be provided in each such delivery structure.

(4) The maximum amount of water in acre-feet to be delivered in any one month through each such delivery structure.

(5) The total combined maximum instantaneous flow capacity in cubic feet per second to be provided by all such delivery structures.

(6) The total maximum amount of water in acre-feet to be delivered in any one month through all such delivery structures.

(c) From time to time the District may request delivery structures in addition to those requested pursuant to subdivision (b) of this article.

(d) The District shall pay all of the costs of delivery structures for the delivery of project water to it, and shall deposit with the State, prior to the commencement of construction of any such delivery structure, an amount of money estimated by the State to be sufficient to cover the costs thereof.

11. Measurement of Water Delivered.

(a) The State shall measure all project water delivered to the District and shall keep and maintain accurate and complete records thereof. For this purpose, the State shall install, operate, and maintain at all delivery structures for delivery of project water to the District such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the District or any other contractor may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

(b) The District shall pay all of the costs of acquiring and installing the measuring devices and equipment provided for in subdivision (a) of this article, and shall deposit with the State, prior to such acquisition and installation, an amount of money estimated by the State to be sufficient to cover such costs.

12. Amounts, Times, and Rates of Delivery.

(a) The amounts, times, and rates of delivery of project water to the District during any year shall be in accordance with a water delivery schedule for that year, such schedule to be determined in the following manner:

(1) On or before October 1 of each year, the District shall submit in writing to the State a preliminary water delivery schedule, subject to the provisions of this article and Articles 6(b), 7(b), 10 and 17, indicating the amounts of water desired by the District during each month of the succeeding five (5) years.

(2) Upon receipt of a preliminary schedule the State shall review it and, after consultation with the District, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the District will be consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors. On or before December 1 of each year, the State shall determine and furnish to the District the water delivery schedule for the next succeeding year which shall show the amounts of water to be delivered to the District during each month of that year.

(3) A water delivery schedule may be amended by the State upon the District's written request. Proposed amendments shall be submitted by the District within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the State in like manner as the schedule itself.

(b) In no event shall the State be obligated to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be devoted to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be devoted to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations on monthly deliveries to such contractor shall be based on an appropriate apportionment of such contractor's annual entitlement for that year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised by amendment of this subdivision after submission to the State of the respective contractor's requests with respect to maximum monthly deliveries, such revision

being subject to approval by the State and subject to advancement to the State by the respective contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, as such costs are determined pursuant to Article 24(d).

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding two thousand seven hundred (2,700) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

(d) If in any year the State, as a result of causes beyond its control, is unable to deliver any portion of the District's annual entitlement for such year under Table A included in Article 6(b) as provided for in the delivery schedule established for that year, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

13 Responsibilities for Delivery and Distribution of Water.

(a) Neither the State nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water supplied to the District after such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; and the District shall indemnify and hold harmless the State and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the District nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of project water before such water has passed the delivery structures established in accordance with Article 10; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed said delivery structures.

14. Temporary Discontinuance or Reduction of Delivery.

(a) The State may temporarily discontinue or reduce the delivery of project water to the District hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the project facilities necessary for the delivery of project water to the District. The State shall notify the District in advance of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.

(b) In the event of any discontinuance or reduction of delivery of project water pursuant to subdivision (a) of this article, the District may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that year at other times during the year or the next succeeding year, to the extent that such water is then available and such election is consistent with the State's overall delivery ability, considering the then current delivery schedules of all contractors.

15. Use of Water.

(a) No sale or other disposal of project water delivered to the District pursuant to this contract shall be made by the District for use of such water outside the District which would, in the judgment of the State, materially impair the District's capacity to make payments to the State as provided for in this contract. Except insofar as such water is sold by the District to the United States, the State of California, or to purchasers for use within areas which are outside the areas proposed to be served by the State with water made available by the System, project water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside the District without the prior written consent of the State. The District shall notify the State as promptly as feasible of all sales or other disposals of project water made or proposed to be made by the District for use outside the District.

(b) While this contract is in effect, no change shall be made in the organization of the District which would materially impair the District's capacity to make payments to the State as provided for herein. The District shall notify the State as promptly as feasible of any change or proposed change in the District's boundaries.

(c) In the event of annexation by the District of territory lying within an area served or to be served by the State with project water pursuant to a contract between the State and another contractor, and subject to the consummation of appropriate agreements between the State, the District, and such

other contractor, the District's annual entitlements and maximum annual entitlement under this contract shall be increased by the amounts of the annual entitlements and maximum annual entitlement contracted for by said contractor for use in said annexed territory. In the event of annexation by the District of territory lying within an area proposed to be served by the State with project water, but for which no contract has been executed by the State for service of project water for use in such annexed territory, the District's annual entitlements and maximum annual entitlement under this contract, at the request of either the State or the District, shall be increased by the amounts of the prospective annual entitlements and maximum annual entitlement to project water allocated or assigned by the State for use in said annexed territory. Upon any increase in the District's annual entitlements and maximum annual entitlement pursuant to this subdivision, Table A included in Article 6(b), and Article 7(b) shall be amended accordingly and the District shall become obligated and hereby agrees to pay to the State a proportionate share of the costs attributable to such increase in accordance with cost allocation principles and procedures set forth in this contract. The service of and payment for such increased annual entitlements and maximum annual entitlement shall in all respects be subject to the terms and conditions of this contract.

16. Continuity and Dependability of Water Supply.

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,000,000 acre-feet of project water.

(b) The State shall make all reasonable efforts to perfect and protect water rights necessary for the System and for the satisfaction of water supply commitments under this contract.

(c) Commencing within two (2) years from the year of initial water delivery to the District, the State shall submit to the District at five-year intervals a report on the State's ability to meet future demands for project water and for supplemental water, and on the State's plans for constructing additional project conservation facilities and supplemental conservation facilities. Such reports shall include all estimates, projections, and other data which the State deems relevant thereto.

(d) Bond funds required to be expended for the construction of additional facilities of the System under the provisions of Section 12938 of the Water Code shall be expended only for construction of additional project conservation facilities as defined herein, and related, appurtenant facilities necessary and desirable to meet local needs: Provided, That if at any time after 1985 the State finds that a part or all of such bond funds are not then required for the above purpose, and will not be so required within the next succeeding ten (10) years, such bond funds may be used, to the extent permitted in the Bond Act,

to construct supplemental conservation facilities as defined herein.

(e) In planning and designing supplemental conservation facilities the State shall give consideration to the requirements and demands for supplemental water of the District and others who have contracted for project water. Entitlements to supplemental water shall be obtained, and repayment therefor shall be arranged, in contracts separate from contracts for project water.

17. Construction of Project Facilities.

(a) Subject to the rights of the District under subdivision (b) of this article and the other provisions of this contract, the State shall provide in each aqueduct reach of the project transportation facilities, other than the East Branch Aqueduct and the West Branch Aqueduct, such maximum monthly delivery capability for the transport and delivery of project water to the District as, in the judgment of the State, will best serve the interests of the District and all other contractors entitled to delivery of project water from or through said facilities: Provided, That within three (3) months after either the effective date of this contract or the execution of any amendments to this contract pursuant to the first proviso in Article 2, whichever is later, the District shall furnish to the State a written request specifying such maximum monthly delivery capabilities, and the State shall give full consideration to such request in planning and designing said facilities. On or before June 30, 1963, the District shall furnish to the State its written request specifying, subject to Articles 6(b), 7(b), 12(b) and 12(c), the maximum monthly delivery capability to be provided in each reach, including reservoirs, of the East Branch Aqueduct and of the West Branch Aqueduct for the transport and delivery of project water to the District, and specifying from which of said Branch Aqueducts the District shall receive water in the year of initial water delivery to the District and the year in which the first delivery of project water from the other of said Branch Aqueducts shall be made to the District. Such maximum monthly delivery capabilities and timing of first deliveries of project water from said Branch Aqueducts shall be as so requested by the District: Provided, That the District

shall not specify less than a total maximum monthly delivery capability of sixty thousand (60,000) acre-feet in each of said Branch Aqueducts for the transport and delivery of project water to the District, and the District's payment obligation under the Transportation Charge for said Branch Aqueducts shall be in accordance therewith unless the District requests a greater total maximum monthly delivery capability in either or both of said Branch Aqueducts pursuant to this subdivision: Provided further, That in the event said request by the District with respect to the timing of first deliveries of project water to the District from said Branch Aqueducts is, in the judgment of the State, incompatible with similar requests received from other contractors to be served from or through said Branch Aqueducts, which contractors have executed contracts with the State on or before June 30, 1963, the timing of first deliveries of project water to the District and such other contractors from said Branch Aqueducts shall be as established by mutual agreement among the State, the District, and said contractors: Provided further, That if such agreement has not been reached on or before December 31, 1963, the State may then construct said Branch Aqueducts in accordance with such construction schedules as, in the judgment of the State, will best serve the interests of all those contractors whose service areas are located south of the South Portal of the Tehachapi Tunnels and which have executed contracts with the State on or before June 30, 1963.

(b) The State shall design and construct the project transportation facilities so as to provide for each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors

in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(b), 7(b), 12(b), and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven per cent (11%) of the District's annual entitlement for the respective year and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven per cent (11%) of the District's maximum annual entitlement: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each reservoir on the East Branch Aqueduct and the West Branch Aqueduct, respectively, of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year.

(c) The District shall have a reasonable opportunity to inspect and study the State's plans and specifications for all project facilities during the planning stage and prior to the solicitation of bids for the construction thereof, and may make comments and recommendations thereon to the State. Such privilege shall also extend to any plans and specifications or proposed agreements for the use by the State, in conjunction with the project facilities, of facilities owned by an entity other than the State. The State shall not enter into any such agreement which would impair the State's ability to perform fully its obligations under this contract.

(d) No bonds shall be sold nor funds expended under the authority of the Bond Act for the construction of any aqueduct or appurtenance thereto included in the System unless and until contracts are executed which will insure the recovery by the State of at least seventy-five per cent (75%) of those capital costs of the particular aqueduct and any appurtenances thereto which shall be reimbursable by the contractors as determined by the State; nor shall any bonds be sold or funds expended under the authority of the Bond Act for the construction of any project conservation facility or supplemental conservation facility, unless and until contracts are executed which, together with estimated revenues from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, will insure the recovery by the State of at least seventy-five per cent (75%) of those capital costs of the particular facility which shall be reimbursable by the contractors as determined by the State: Provided, That the foregoing limitations shall not apply with respect to:

(1) surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights of way, relocation work, and essential administrative work in connection therewith; (2) construction for which appropriations had been made prior to approval of the Bond Act by the voters of the State of California; and (3) construction of facilities pursuant to an agreement between the State and the United States.

(e) The State shall make all reasonable efforts to commence construction of the project transportation facilities on or before June 30, 1963. In the event that no contract for construction of project transportation facilities south of the San Luis Canal of the San Luis unit of the Federal Central Valley Project has been let on or before December 31, 1964, and that no bonds have been issued nor funds expended for construction of said facilities by that date, the District at any time after December 31, 1964, may at its option terminate this contract by giving notice of such termination to the State, such termination to be effective six (6) months after the giving of such notice, whereupon both parties hereto shall be relieved of all further obligations hereunder: Provided, That if the District has not theretofore given such notice, this option shall expire upon the letting by the State of a contract for construction of said facilities at any time after March 31, 1965.

(f) In the event that the State fails or is unable to complete construction of any portion or portions of the project transportation facilities necessary to deliver water to the District as provided in this contract, and gives the District written notice thereof, or by reason of such failure or inability construction of said facilities has ceased for a period of

two and one-half ($2\frac{1}{2}$) years, the District, if it be not then in default and without exclusion of such other rights as it may have under this contract, may exercise the following options:

(1) The District may provide funds to the State in such amounts and at such times as may be necessary to enable the State to complete construction of such incompleted portion or portions of the project transportation facilities to the extent necessary for the transport and delivery of water to the District as provided for in this contract: Provided, That the State shall be and remain the owner of such project transportation facilities or portions thereof constructed in whole or in part with funds provided by the District, and shall be and remain obligated to operate, maintain, repair and replace such facilities to the full extent contemplated in this contract: Provided further, That the amount of any funds so provided by the District shall be credited by the State against the District's payment obligation under the capital cost component of the Transportation Charge, but the District shall be and remain obligated to pay its share of any capital costs of the above-described facilities not paid for with such funds, together with its proportionate share of the operation, maintenance, power and replacement costs of such facilities.

(2) The District may at its own expense, and on a joint venture basis if such an arrangement is made with other contractors having similar options, connect to the project transportation facilities constructed by the State for purpose of receiving project water to which it is entitled under this contract. In such event and notwithstanding any other

provisions of this contract, the structures for delivery of project water to the District pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining and replacing the District's facilities at the point of connection thereof with the State's facilities shall be in accordance with terms and conditions mutually agreed upon by the parties: Provided, That the State shall be and remain the owner of all facilities constructed by it to said point of connection, and the District shall be and remain obligated to pay its proportionate share of the costs thereof.

18. Shortage in Water Supply.

(a) In any year in which there may occur a shortage due to drought or other temporary cause in the supply of project water available for delivery to the contractors, with the result that such supply is less than the total of the annual entitlements of all contractors for that year, the State shall, before reducing deliveries of project water to all contractors, reduce the delivery of project water to each contractor using such water for agricultural purposes by a percentage, not to exceed fifty percent (50%) in any one year or a total of one hundred percent (100%) in any series of seven consecutive years, of that portion of the contractor's annual entitlement for the respective year which is to be put to agricultural use as determined by the State: Provided, That such percentage shall be the same for all such contractors. The maximum total reduction in deliveries allowable under the above provision shall be made before any reduction is made in project water deliveries for other uses. Any necessary reduction in deliveries of project water beyond said maximum total reduction allowable under the foregoing provision shall be apportioned among all contractors irrespective of the uses to which such water is to be put. In such event, the State shall reduce deliveries to each contractor in an amount which bears the same proportion to the total amount of such necessary further reduction that the contractor's annual entitlement bears to the total of the annual entitlements of all contractors for that year, all as determined by the State: Provided, That the State may apportion on some other basis if such is required to meet minimum demands for domestic supply, fire protection, or sanitation during the year. The foregoing provisions of this

subdivision shall be inoperative to the extent that a contractor's annual entitlement for the respective year reflects established rights under the area of origin statutes precluding a reduction in deliveries to such contractor.

(b) In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum project yield, or if for any other reason there is a reduction in the minimum project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of project water to be made available to the contractors:

(1) The annual entitlements and the maximum annual entitlements of all contractors, except to the extent such entitlements may reflect established rights under the area of origin statutes, shall, by amendment of Table A included in Article 6(b), and of Article 7(b), respectively, be reduced proportionately by the State to the extent necessary so that the sum of the revised maximum annual entitlements of all contractors will then equal such reduced minimum project yield: Provided, That appropriate adjustment in the contractors' respective financial obligations to the State under the Transportation Charge shall be made in accordance with such reduced entitlements if such reductions have not been strictly proportionate throughout.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such reduction in the minimum project yield are not required for delivery of project water to the District, to transport

water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof.

(c) In the event that the State, because of the establishment by a party of a prior right to water under the provisions of Sections 11460 through 11463 of the Water Code, enters into a contract with such party for a dependable supply of project water, which contract will cause a permanent shortage in the supply of project water to be made available to the District hereunder:

(1) The State shall: (i) equitably redistribute the costs of all transportation facilities included in the System among all contractors for project water, taking into account the diminution of the supply to the District and other prior contractors and the payments theretofore made by the District and other prior contractors in accordance with the terms of their contracts, and (ii) revise the District's annual entitlements and maximum annual entitlement, by amendment of Table A included in Article 6(b) and of Article 7(b), respectively, to correspond to the reduced supply of project water to be made available to the District: Provided, That such redistribution of costs of transportation facilities shall not be made until there has been reasonable

opportunity for the District to exercise the option provided for in (2) below, and for other prior contractors to exercise similar options.

(2) The District, at its option, shall have the right to use any of the project transportation facilities which by reason of such permanent shortage in the supply of project water to be made available to the District are not required for delivery of project water to the District, to transport water procured by it from any other source: Provided, That such use shall be within the limits of the capacities provided in the project transportation facilities for service to the District under this contract: Provided further, That, except to the extent such limitation in Section 12931 of the Water Code be changed, the District shall not use the project transportation facilities under this option to transport water the right to which was secured by the District through eminent domain unless such use be approved by the Legislature by concurrent resolution with a majority of the members elected to each house voting in favor thereof. This option shall terminate upon a redistribution of costs of transportation facilities by the State pursuant to (1) above. In the event that this option is exercised, the State shall take such fact into account in making such redistribution of costs, and shall offset such use as is made of the project transportation facilities pursuant thereto against any reduction in the District's payment obligation hereunder resulting from such redistribution of costs.

(d) If after any revision of annual entitlements and maximum annual entitlements pursuant to subdivisions (b) or (c) of this article, circumstances arise which, in the judgment of

the State, justify a revision upward of the same, the State shall, with the consent of the affected contractor, reinstate proportionately the previously reduced entitlements of such contractor to the extent deemed justified, and shall equitably redistribute the costs of the project transportation facilities if inequities would otherwise occur as a result of such reinstatement of entitlements.

(e) The State shall give the District written notice as far in advance as possible of any reduction in deliveries to it which is to be made under subdivision (a) of this article and, to the extent possible, shall give the District written notice five (5) years in advance of any reduction in its annual entitlements and maximum annual entitlement under subdivisions (b) or (c) of this article. Reports submitted to the District pursuant to Article 16 (c) may constitute such notices.

(f) Neither the State nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from shortages in the amount of water to be made available for delivery to the District under this contract caused by drought, operation of area of origin statutes, or any other cause beyond its control.

19. Water Quality.

(a) It shall be the objective of the State and the State shall take all reasonable measures to make available, at all delivery structures for delivery of project water to the District, project water of such quality that the following constituents do not exceed the concentrations stated as follows:

WATER QUALITY OBJECTIVES FOR
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Constituent	Unit	Monthly Average	Average for any 10-year Period	Maximum
Total Dissolved Solids	ppm.	440	220	-
Total Hardness	ppm.	180	110	-
Chlorides	ppm.	110	55	-
Sulfates	ppm.	110	20	-
Sodium Percentage	%	50	40	-
Fluoride	ppm.	-	-	1.5
Lead	ppm.	-	-	0.1
Selenium	ppm.	-	-	0.05
Hexavalent Chromium	ppm.	-	-	0.05
Arsenic	ppm.	-	-	0.05
Iron and Manganese together	ppm.	-	-	0.3
Magnesium	ppm.	-	-	125.
Copper	ppm.	-	-	3.0
Zinc	ppm.	-	-	15.
Phenol	ppm.	-	-	0.001

(b) The State shall regularly take samples of water at each delivery structure for delivery of project water to the District, and shall make chemical and physical analyses and tests of such samples. The State shall keep accurate and complete records of all such analyses and tests, which records shall be available for inspection by the District at any time or times.

(c) If through no negligence of the State or its officers, agents, or employees, the State is unable to attain the quality objectives set forth in subdivision (a) of this article, neither the State nor any of its officers, agents, or employees shall be liable in any manner whatsoever for such deviation from said quality objectives.

20. Suspension of Service. In the event of any default by the District in the payment of any money required to be paid to the State hereunder, the State may, upon not less than six months' notice to the District, suspend deliveries of water under this contract for so long as such default continues: Provided, That during such period the District shall remain obligated to make all payments required under this contract. Action taken pursuant to this article shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

21. Interim Sale of Surplus Water. If during any year the supply of project water, after appropriate allowance for hold-over storage, exceeds the total of annual entitlements of all contractors for that year, the State shall offer to sell and deliver such surplus water for periods expiring not later than the end of such year, without right of renewal, and in a manner and at prices which will return to the State the largest net revenues practicable, and at the minimum, revenues equal to the variable operation, maintenance and power costs incurred in such service of surplus water: Provided, That such service of surplus water shall not interfere with the delivery of their respective annual entitlements to those contractors which do not receive surplus water in such year: Provided further, That not until a contractor accepts delivery during such year of its annual entitlement for that year and either pays or incurs a payment obligation for such annual entitlement in accordance with the payment provisions of its contract, shall surplus water be sold to such contractor at prices less than those which would result under the application of the payment provisions of its contract: Provided further, That if, in the judgment of the State, the annual entitlement of a contractor desiring to purchase surplus water is unrealistically low for the year in which such purchase is to be made, the State shall, for the purpose of pricing such water in accordance with the second proviso above, consider such annual entitlement to be an increased amount determined by the State to accurately correspond to such contractor's actual requirements for project water in that year. All net revenues from the service of surplus water shall be applied in such manner that

all contractors which contribute to the payment of the costs of any System facilities by which surplus water was conserved and transported in connection with such service will receive credit for a share of such net revenues in the proportion that each such contractor contributes to payment of such costs. The service of surplus water shall, in every case, be subject to the paramount right and obligation of the State to discontinue the same, in whole or in part, when required for service of project water to contractors.

C. PAYMENT PROVISIONS

22. Delta Water Charge.

(a) The payments to be made by each contractor for project water shall include an annual charge designated as the Delta Water Charge. This charge, together with the total revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities, shall return to the State during the project repayment period all costs of the project conservation facilities incurred during the project repayment period, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article. Wherever reference is made, in connection with the computation or determination of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State.

(b) For each contractor receiving project water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the contractor's annual entitlement to project water for the respective year. After that date, the Delta Water Charge shall consist and be the sum of the following components as these are computed in accordance with subdivisions (c) and (d) of this article: a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component.

(c) The capital cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water Charge, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the project repayment period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article: (1) capital costs; (2) operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractors; and (3) operation, maintenance, power, and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractors: Provided, That each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities. Each component of the Delta Water Charge shall be computed on the basis of a rate which, when charged during the project repayment period for each acre-foot of the sum of the yearly totals of annual entitlements of all contractors, will be sufficient, together with that portion of the revenues derived during the project repayment period from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities which is allocated by the State to repayment of the respective category of

costs, to return to the State during the project repayment period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1-r_1)(1+i)^{-1}+(c_2-r_2)(1+i)^{-2}+\ldots+(c_n-r_n)(1+i)^{-n}}{e_1(1+i)^{-1}+e_2(1+i)^{-2}+\ldots+e_n(1+i)^{-n}}$$

Where:

i = The project interest rate.

c = The total costs included in the respective category of costs and incurred during the respective year of the project repayment period.

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and incurred during the respective year of the project repayment period.

1, 2, and n appearing below c and r = The respective year of the project repayment period during which the costs included in the respective category are incurred, n being the last year of the project repayment period.

e = With respect to the capital cost and minimum operation, maintenance, power, and replacement components, the total of annual entitlements to project water of all contractors for the respective year of the project repayment period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of project water delivered to all contractors for the respective year of the expired portion of the project repayment period, together with the total of annual entitlements to project water of all contractors for the respective year of the unexpired portion of the project repayment period.

1, 2, and n appearing below e = The respective year of the project repayment period in which the annual entitlements or project water deliveries occur, n being the last year of the project repayment period.

n used as an exponent = The number of years in the project repayment period.

(d) The capital cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge shall be the product of the appropriate rate computed under subdivision (c) of this article, and the contractor's annual entitlement to project water for the respective year. The variable operation, maintenance, power, and replacement component of the charge shall be the product of the appropriate rate computed under subdivision (c) of this article and the number of acre-feet of project water delivered to the contractor during the respective year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, said variable component during such period shall be the product of said rate per acre-foot and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(e) Prior to the time that additional project conservation facilities or supplemental conservation facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable costs-remaining benefits method, of all projected costs of all those initial project conservation facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all projected costs of the following project facilities located below the Delta: The aqueduct intake

facilities at the Delta, Pumping Plant I, the aqueduct from the Delta to San Luis Forebay, San Luis Forebay, and San Luis Reservoir: Provided, That all of the projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of project conservation facilities shall be allocated to the purpose of water conservation in, above, and below the Delta: Provided further, That allocations to purposes the costs of which are to be paid by the United States shall be as determined by the United States. Commencing in the year in which the State first incurs capital costs for construction of additional project conservation facilities, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such additional project conservation facilities.

(f) The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (d) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (c) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (c) and (d) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year

thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project conservation facilities described in subdivision (e) of this article, annual entitlements, deliveries of project water, project interest rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining said rates for all preceding years, and actual costs incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(g) Upon the construction of supplemental conservation facilities, the Delta Water Charge shall be paid by all contractors for supplemental water, as well as by contractors for project water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of project conservation facilities and supplemental conservation facilities, shall return to the State, in addition to those costs of the project conservation facilities allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivision (e) of this article, all costs of such supplemental conservation facilities, including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta

pursuant hereto. Commencing in the year in which the State first incurs capital costs for construction of supplemental conservation facilities, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (e) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in said subdivision (e), of all projected costs of such supplemental conservation facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the annual entitlements to water under all contracts for supplemental water. If the repayment period of any bonds sold to construct supplemental conservation facilities extends beyond the project repayment period, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate.

23. Transportation Charge. The payments to be made by each contractor entitled to delivery of project water from the project transportation facilities shall include an annual charge under the designation Transportation Charge. This charge shall return to the State during the project repayment period those costs of all project transportation facilities necessary to deliver project water to the contractor incurred during the project repayment period, including capital, operation, maintenance, power, and replacement costs, which are allocated to the contractor in accordance with the cost allocation principles and procedures hereinafter set forth. Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the contractors as determined by the State. The Transportation Charge shall consist of a capital cost component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance, power, and replacement component, as these components are defined in and determined under Articles 24, 25, and 26, respectively. For the purpose of allocations of costs pursuant to said articles, the project transportation facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the District to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other contractors, the aqueduct reaches of the project transportation facilities are established as follows: Provided, That those costs of the aqueduct reaches from the Delta

through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

Aqueduct Reach	Major Features of Reach
Delta to Discharge Pumping Plant I:	Intake Canal Fish Protective Facilities Pumping Plant I
Discharge Pumping Plant I to San Luis Forebay:	Aqueduct
San Luis Forebay to Outlet San Luis Reservoir:	San Luis Forebay and Dam Pumping Plant II San Luis Reservoir and Dam
Outlet San Luis Reservoir to Avenal Gap:	Aqueduct
Avenal Gap to Pumping Plant III:	Aqueduct
Pumping Plant III to Pumping Plants IV-V:	Pumping Plant III Aqueduct
Pumping Plants IV-V to Pumping Plant VI:	Pumping Plant IV Pumping Plant V Aqueduct
Pumping Plant VI to South Portal Tehachapi Tunnels:	Pumping Plant VI Tehachapi Tunnels

Aqueduct Reach	Major Features of Reach
East Branch Aqueduct	
South Portal Tehachapi Tunnels to Cottonwood Power Plant:	Aqueduct Cottonwood Power Plants 1 and 2
Cottonwood Power Plant to a point near Fairmont Reservoir:	Aqueduct
Near Fairmont Reservoir to Little Rock Creek:	Aqueduct
Little Rock Creek to West Fork Mojave River:	Pumping Plant VII Aqueduct
West Fork Mojave River to Perris Reservoir:	Cedar Springs Reservoir and Dam Devil Canyon Power Plants 1 and 2 Aqueduct Perris Reservoir and Dam
West Branch Aqueduct	
South Portal Tehachapi Tunnels to West Branch Terminal Reservoir:	Aqueduct
West Branch Terminal Reservoir:	Dam, reservoir, and outlet facilities

24. Transportation Charge - Capital Cost Component.

(a) The capital cost component of the Transportation Charge shall be sufficient to return to the State those capital costs of the project transportation facilities necessary to deliver water to the contractor which are allocated to the contractor pursuant to subdivision (b) of this article. The amount of this component shall be determined in two steps as follows: (1) an allocation of capital costs to the contractor, and (2) a computation of annual payment of such allocated capital costs and interest thereon, computed at the project interest rate, to be made by the contractor.

(b) In the first step, the total amount of capital costs of each aqueduct reach to be returned to the State shall be allocated among all contractors entitled to delivery of project water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with (1) and (2) below. The measure of the proportionate use of each contractor of each reach shall be the average of the following two ratios: (i) the ratio of the contractor's maximum annual entitlement to be delivered from or through the reach to the total of the maximum annual entitlements of all contractors to be delivered from or through the reach; and (ii) the ratio of the capacity provided in the reach for the transport and delivery of project water to the contractor to the total capacity provided in the reach for the transport and delivery of project water to all contractors served from or through the reach. Allocations of capital costs to the District pursuant hereto shall be on the basis of relevant values which will be set forth in Table B by the State as soon as designs and cost estimates are

TABLE B

PROPORTION OF COSTS OF PROJECT TRANSPORTATION FACILITIES
ALLOCATED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Aqueduct reach	Total for project transportation facilities				District participation			
	Total of maximum annual entitlements of all contractors, thousands of acre-feet per year[1/]	Total of maximum capacities in cubic feet per second[1/]	Total capital cost, thousands of dollars	Minimum annual operating cost, thousands of dollars[2/]	Maximum annual entitlement, thousands of acre-feet per year[1/]	Ratio of maximum annual entitlement to total of maximum annual entitlements	Maximum capacity in cubic feet per second[1/]	Ratio of capacity to total capacity	Average of ratios
Delta to Discharge Pumping Plant I[3/]									
Discharge Pumping Plant I to San Luis Forebay[3/]									
San Luis Forebay to Outlet San Luis Reservoir[3/]									
Outlet San Luis Reservoir to Avenal Gap									
Avenal Gap to Pumping Plant III									
Pumping Plant III to Pumping Plant IV-V									
Pumping Plant IV-V to Pumping Plant VI									
Pumping Plant VI to South Portal Tehachapi Tunnels									
South Portal Tehachapi Tunnels to Tailrace Cottonwood Power Plant									
Tailrace Cottonwood Power Plant to near Fairmont Reservoir									
West Branch Aqueduct									
Terminal Dam, Reservoir and outlet facilities									
Near Fairmont Reservoir to Little Rock Creek									
Little Rock Creek to West Fork Mojave River									
West Fork Mojave River to Perris Reservoir									

24/2

1/ As increased by an allowance to compensate for losses as provided in Article 24(b) (2)
2/ Based on values as of the end of the construction period
3/ Costs allocated to water transportation
4/ State capacity only

prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach of the project transportation facilities for the transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That these values shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the Principles and procedures set forth in this subdivision shall be controlling as to allocations of capital costs to the District.

(1) The total amount of capital costs allocated to a contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the contractor, the total amount of the capital costs of the reach to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as said average is set forth in the appropriate table included in its contract.

(2) In the event that excess capacity is provided in any aqueduct reach for the purpose of making project water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective maximum annual entitlement or entitlements to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by said agency or agencies for the purpose of such allocation of costs, to the end that the capital costs of providing such excess capacity are not charged to any contractor entitled by virtue of an executed contract to the delivery of project water from or through that aqueduct reach at the time of such allocation.

Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the project facilities, then, for the purpose of any allocation of costs pursuant to this subdivision: (i) the maximum annual entitlement to be delivered from or through the reach of each contractor entitled to delivery of project water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the contractor's maximum annual entitlement to be delivered from or through the reach bears to the total of the maximum annual entitlements to be delivered from or through the reach under all contracts; and (ii) the capacity provided in the reach for each contractor entitled to delivery of project water from or through the reach shall be increased in the same proportion that the contractor's maximum annual entitlement to be delivered from or through the reach is increased pursuant to (i) above.

(3) The projected amounts of capital costs to be allocated annually to the District under the capital cost component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision, which principles and procedures shall be controlling as to allocations of capital costs to the District. Such amounts will be set forth in Table C by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a):

TABLE C

PROJECTED ALLOCATIONS OF CAPITAL
COST OF PROJECT TRANSPORTATION FACILITIES TO
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Projected Allocation in Thousands of Dollars
1*	
2	
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26	
27	
28	
29	
30	
31	

* Year in which State commences construction of project transportation facilities.

Provided, That these amounts shall be subject to redetermination by the State in accordance with Article 28.

(c) In the second step, the District's annual payment of its allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (1), (2), and (3) below, which principles shall be controlling as to the District's payment of its allocated capital costs. The District's repayment schedule will be set forth in Table D by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table D shall be subject to redetermination by the State, pursuant to Article 28.

(1) The District's annual payment shall be the sum of the amounts due from the District on the District's allocated capital costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the District's allocated capital costs for the respective year and interest thereon, computed at the project interest rate and compounded annually.

(2) The District may make payments at a more rapid rate if approved by the State.

(3) Such annual payments shall cease when all allocated capital costs and interest thereon, computed at the project interest rate and compounded annually, are repaid.

TABLE D

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
1*			
2**			
3			
4			
5			
6			
7			
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11			
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34			
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36			
37			
38			
39			
40			
41			
42			

TABLE D (Continued)

TRANSPORTATION CHARGE - CAPITAL COST COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

(In thousands of dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by District
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
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61			
62			
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66			
67			
68			
69			
70			
71			
72			
73			
74			
75			
76			
77			
78			
79			
80			
TOTAL			

* Year in which the State commences construction of the project transportation facilities
** Year of first payment.

(d) In the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b) for the uses designated therein, such contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total capital costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (b) of this article, the total capital costs of such aqueduct reach shall be allocated among all contractors entitled to delivery of project water from or through the reach in the following manner: (1) The costs which would have been incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such contractors in the manner provided in said subdivision (b); and (2) the amount of the difference between said estimated costs and the projected actual costs of such reach shall be allocated to the contractor or contractors for which such excess capacity is provided. Where such excess capacity is provided for more than one contractor, the costs allocated to them under (2) above shall be further allocated between or among them in amounts which bear the same proportion to the total of said allocated costs as the amount of such excess capacity provided for the respective

contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a contractor pursuant to this subdivision are more or less than the costs so allocated to such contractor under (2) above, the account of such contractor shall be credited or debited accordingly.

25. Transportation Charge - Minimum Operation, Maintenance, Power, and Replacement Component.

(a) The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power, and replacement costs incurred irrespective of the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (b) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the project transportation facilities for the respective year shall be allocated among all contractors entitled to delivery of project water from said facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of capital costs in Article 24: Provided, That such minimum operation, maintenance, power, and replacement costs as are incurred generally for the project transportation facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) The amount to be paid each year by the District under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table B, included in Article 24: Provided, That these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any interest thereon shall be set forth by the State in Table E as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table E shall be subject to redetermination by the State in accordance with Article 28.

TABLE E

TRANSPORTATION CHARGE-MINIMUM OPERATION
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commences construction of the project transportation facilities.

26. Transportation Charge - Variable Operation, Maintenance, Power, and Replacement Component.

(a) The variable operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the project transportation facilities necessary to deliver water to the contractor which constitute operation, maintenance, power and replacement costs incurred in an amount which is dependent upon and varies with the amount of project water delivered to the contractor and which are allocated to the contractor pursuant to (1) and (2) below: Provided, That to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made. The amount of this component shall be determined as follows:

(1) There shall be computed for each aqueduct reach of the project transportation facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance, power, and replacement costs of the reach for the respective year. This computation shall be made by dividing said total by the number of acre-feet of project water estimated to be delivered from or through the reach to all contractors during the year.

(2) The amount of the variable component shall be the product of the sum of the charges per acre-foot of

water, determined under (1) above, for each aqueduct reach necessary to deliver water to the contractor, and the number of acre-feet of project water delivered to the contractor during the year: Provided, That when project water has been requested by a contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the contractor to accept delivery thereof, the amount of said variable component to be paid by such contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of project water delivered to the contractor and the number of acre-feet wasted.

(b) There shall be credited against the amount of the variable component to be paid by each contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the respective year at project aqueduct power recovery plants located upstream on the particular aqueduct from the delivery structures for delivery of project water to the contractor. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of project water delivered to the contractor through said plants during the year bears to the number of acre-feet of project water delivered to all contractors through said plants during the year.

(c) The amount to be paid each year by the District under the variable operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article

for the respective aqueduct reaches in Table B, included in Article 24. Such amounts and any interest thereon shall be set forth by the State in Table F as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a): Provided, That the amounts set forth in Table F shall be subject to redetermination by the State in accordance with Article 28.

TABLE F

TRANSPORTATION CHARGE-ESTIMATED VARIABLE OPERATION,
MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Payment by District* (In thousands of dollars)
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and each succeeding year thereafter, for the term of this contract.	

* Payments start with year of initial water delivery.

** Year in which State commences construction of project conservation facilities.

27. Transportation Charge - Repayment Schedule. The amounts to be paid by the District for each year of the project repayment period under the capital cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, power, and replacement component of said charge on the basis of then estimated deliveries, shall be set forth by the State in Table G as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the District as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of project water to the District, pursuant to Article 17(a), which Table G shall constitute a summation of Tables D, E, and F: Provided, That each of the amounts set forth in Table G shall be subject to redetermination by the State in accordance with Article 28: Provided further, That the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the District in accordance with the provisions of Article 29.

TABLE G

REPAYMENT SCHEDULE
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
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41				
42				

TABLE G (Continued)

REPAYMENT SCHEDULE
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

(In thousands of dollars)

Year	Transportation Charge			
	Capital Cost Component	Minimum Component	Variable Component	Total
43				
44				
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				
58				
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72				
73				
74				
75				
76				
77				
78				
79				
80				

* Year in which State commences construction of project transportation facilities.
** Year of first payment

28. Transportation Charge - Redetermination. The State shall redetermine the values and amounts set forth in the tables included in Articles 24 through 27 of this contract in the year following the year in which the State commences construction of the project transportation facilities and each year thereafter in order that the Transportation Charge to the District and the components thereof may accurately reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State incurred to construct the project transportation facilities described in Article 23, annual entitlements, estimated deliveries, project interest rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the District for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining the amounts of said components for all preceding years and actual costs incurred by the State during such years. Upon each such redetermination, appropriately revised copies of the tables included in Articles 24 through 27 shall be prepared by the State and attached to this contract as amendments of those articles respectively.

29. Time and Method of Payment.

(a) Payments by the District under the Delta Water Charge shall commence in the year of initial water delivery to the District.

(b) Payments by the District under the capital cost component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the project transportation facilities.

(c) Payments by the District under the minimum operation, maintenance, power and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(d) Payments by the District under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the year of initial water delivery to the District.

(e) The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the District with a written statement of: (1) the charges to the District for the next succeeding year under the capital cost and minimum operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; (2) the unit charges to the District for the next succeeding year under the variable operation, maintenance, power and replacement components of said Delta Water Charge and Transportation Charge; and (3) the total charges to the District for the preceding

year under the variable operation, maintenance, power and replacement components of said Delta Water Charge and Transportation Charge: Provided, That through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the contractors on the basis of their respective annual entitlements to project water, as provided in Article 22(b). All such statements shall be accompanied by the latest revised copies of the document amendatory to Article 22 and of the tables included in Articles 24 through 27 of this contract, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate. The State shall, on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, furnish the District with a statement of the charges to the District for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of project water to the District, except as otherwise provided in those articles.

(f) The District shall pay to the State, on or before January 1 of each year, commencing with the year in which payment of the respective charge is to commence pursuant to this article, one-half (1/2) of the charge to the District for the year under the capital cost component of the Delta Water

Charge and one-half (1/2) of the charge to the District for the year under the capital cost component of the Transportation Charge, as such charges are stated pursuant to subdivision (e) of this article; and shall pay the remaining one-half (1/2) of each of said charges on or before July 1 of that year.

(g) The District shall pay to the State, on or before the first day of each month of each year, commencing with the year of initial water delivery to the District, one-twelfth (1/12) of the sum of the charges to the District for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (e) of this article.

(h) The District shall pay to the State on or before the fifteenth day of each month of each year, commencing with the year of initial water delivery to the District, the charges to the District under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the District during the preceding month pursuant to subdivision (e) of this article, as such charges are stated in such statement.

(i) In the event that the District in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (e) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the District's contentions regarding the statement

to be correct, it shall revise the statement accordingly, and the District shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the District's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the District shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

30. Surcharge for Excess Use of Project Water.

(a) As used herein the term "surcharge" shall mean an amount equivalent to the power credit per acre-foot of water, as such credit is determined under and established by subdivision (b) of this article, to be charged to water users other than the United States or the State of California, as hereinafter provided and to the extent permitted by law, for each acre-foot of project water put to agricultural or manufacturing use on excess land. As used herein the term "excess land" shall mean that part of any land held in single beneficial ownership within a contractor's boundaries, or, where project water is delivered to water users by a retail agency as hereinafter defined, that part of any such land within the service area of such retail agency, which is in excess of 160 acres; or in the case of joint ownership by husband and wife that part of any such land which is in excess of 320 acres.

(b) As used herein, the term "power credit" shall mean the net value accruing to the State from revenues derived from the sale or other disposal of electrical energy generated in connection with operation of initial project conservation facilities after deducting from said revenues the amount necessary to repay the investment properly chargeable to energy generation and for operation, maintenance, and replacement of the electrical generation facilities. The power credit per acre-foot of water shall be computed in accordance with the following formula:

$$\frac{c_1(1+i)^{-1} + c_2(1+i)^{-2} + \ldots + c_n(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \ldots + e_n(1+i)^{-n}}$$

where:

i	=	The project interest rate.
c	=	The projected annual power credit accrued during the respective year of the project repayment period.
1,2, and n appearing below c	=	The respective year of the project repayment period during which the power credit is accrued, n being the last year of the project repayment period.
e	=	The total of annual entitlements to project water of all contractors for the respective year of the project repayment period.
1,2, and n appearing below e	=	The respective year of the project repayment period in which the annual entitlements occur, n being the last year of the project repayment period.
n used as exponent	=	The number of years in the project repayment period.

The power credit per acre-foot of water is hereby established as $2.00 until all of the facilities for generation of electrical energy in connection with operation of initial project conservation facilities are installed and in operation. The State shall redetermine the power credit per acre-foot of water each year thereafter in order that it may accurately reflect increases or decreases from year to year in the power credit as defined herein. Each such redetermination shall be in accordance with the method of computation set forth in this subdivision, and upon each such redetermination, a document showing the revised amount of the power credit per acre-foot of water shall be attached to this contract as an amendment of this subdivision.

(c) As used herein the term "retail agency" shall mean any agency which delivers directly to the users thereof, project water made available by, through, or under a contractor.

(d) Each contractor, to the extent that it delivers project water directly to the users thereof, shall require on behalf of the State that each such user on or before June 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the contractor on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use, and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the contractor for the account of the State a surcharge for the amount of water so certified. Each contractor, to the extent that it delivers project water to a retail agency or to another agency by, through, or under which such water is delivered to a retail agency, shall require on behalf of the State that each water user served by such retail agency be required to, on or before May 1 of each year, commencing with the year following the year of initial water delivery: (1) certify in writing to the retail agency on forms prescribed and furnished by the State the description of the excess land owned by such user upon which project water is put to agricultural or manufacturing use and the amount of project water put to agricultural or manufacturing use on such land during the preceding year; and (2) pay to the retail agency for the account of the State a surcharge for the amount of project water

so certified. Each contractor and retail agency shall be entitled to rely upon the certifications furnished them by water users pursuant to this subdivision, unless notified by the State as to the inaccuracy of any such certification. Payments made to the contractor pursuant to this subdivision, together with the certifications supporting such payments, shall be forwarded to the State on or before July 1 of the year in which they are received. Payments made to a retail agency pursuant to this subdivision, together with the certifications supporting such payments, shall on behalf of the State be required to be forwarded to the contractor, which shall in turn forward them to the State on or before July 1 of the year in which they are received; except that where project water has been delivered to the retail agency by, through, or under an agency or agencies other than the contractor, such payments and certifications shall on behalf of the State be required to be forwarded by the retail agency to the agency from which it received project water and by that agency, et seq., to the contractor, which shall forward them to the State on or before July 1 of the year in which they are received.

(e) In the event that a contractor, retail agency, or water user commingles project water with water from another source in a common distribution system, the contractor shall, in complying with the provisions of this article, adhere to the following rules, and, where project water is delivered by it to a retail agency or to another agency by, through or under which project water is delivered to a retail agency, as

contemplated in subdivision (d) of this article, shall require on behalf of the State that such retail agency adhere or be required to adhere to the same rules.

(1) If the amount of nonproject water delivered by the contractor or retail agency in any year to water users within the area served with project water by the contractor or retail agency is equal to or greater than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed that the water put to agricultural or manufacturing use on such excess land is nonproject water, and there shall be no surcharge to water users in that area.

(2) If the amount of nonproject water delivered by the contractor or retail agency in any year to water users within the area served with project water by the contractor or retail agency is less than the amount of water put to agricultural or manufacturing use on all excess land within that area during such year, it shall be presumed, for the purpose of determining the payments to be made under the surcharge by water users in that area, that the amount of project water put to agricultural or manufacturing use on excess land of a particular ownership within that area during such year bears the same proportion to the total amount of water so used on that excess land during such year as the total amount of project water delivered by the contractor or retail agency to water users within that area during such year bears to the total amount of water delivered by the contractor or retail agency to water users within that area during such year.

(3) Project water which reaches the underground prior to delivery to or pumping by a water user shall not be subject to a surcharge under this article.

(f) Subject to subdivision (g) of this article, a contractor shall not be liable for the failure of any retail agency or other agency to perform the obligations imposed upon it in accordance with subdivision (d) of this article.

(g) In the event that any retail agency or other agency by, through or under which project water is delivered to a retail agency, fails to perform the obligations imposed upon it in accordance with subdivision (d) of this article, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or agency or agencies by, through or under which project water is delivered to such retail agency, as it deems necessary to compel the performance of such obligations, and in such action the State shall be subrogated to the rights of such contractor and/or such other agency or agencies against such retail agency or other agency. In the event that any certification furnished by a water user in accordance with subdivision (d) of this article is found by the State to inaccurately represent facts of water use or land ownership, with the result that such user is avoiding payment under the surcharge provided for herein, the State may take such action in a court of competent jurisdiction, in the name of the contractor and/or the retail agency and/or any other agency or agencies by, through, or under which project water is delivered to such water user, as it deems necessary to collect full payment under the surcharge from such water user and to compel the performance of all obligations

imposed upon such water user in accordance with said subdivision (d), and in such action the State shall be subrogated to the rights of such contractor and/or such retail agency and/or such other agency or agencies against such water user. Where project water is delivered by a contractor to a retail agency or to another agency by, through, or under which project water is delivered to a retail agency, as contemplated in subdivision (d) of this article, the contractor shall require on behalf of the State that such retail agency or other agency and all agencies by, through, or under which project water is delivered to a retail agency permit or be required to permit the State to bring the foregoing actions in their respective names and be subrogated to their respective rights as set forth above.

(h) Should the application of any of the provisions of this article in the manner provided for herein result in claims of any nature against a contractor, retail agency, or other agency by, through, or under which project water is delivered to a retail agency, the State shall defend the contractor, retail agency, or other agency against such claims, and shall indemnify them for any liability with respect thereto arising from activities required by the State under this article.

(i) This article shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this article are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

31. Adjustment for Overpayment or Underpayment. If in any year, by reason of errors in computation or other causes, there is an overpayment or underpayment to the State by the District of the charges provided for herein, which overpayment or underpayment is not accounted for and corrected in the annual redetermination of said charges, the amount of such overpayment or underpayment shall be credited or debited, as the case may be, to the District's account for the next succeeding year and the State shall notify the District thereof in writing.

32. Delinquency in Payment.

(a) The governing body of the District shall provide for the punctual payment to the State of payments which become due under this contract.

(b) Upon every amount of money required to be paid by the District to the State pursuant to this contract which remains unpaid after if becomes due and payable, interest shall accrue at the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the due date until it is paid, and the District hereby agrees to pay such interest: Provided, That no interest shall be charged to or be paid by the District unless such delinquency continues for more than thirty (30) days.

33. Obligation of District to Make Payments.

(a) The District's failure or refusal to accept delivery of project water to which it is entitled under Article 6(b) shall in no way relieve the District of its obligation to make payments to the State as provided for in this contract. The State, however, shall make reasonable efforts to dispose of any water made available to but not required by the District, and any net revenues from such disposal shall be credited to the District's account hereunder.

(b) The District as a whole is obligated to pay to the State the payments becoming due under this contract, notwithstanding any individual default by its constituents or others in the payment to the District of assessments, tolls, or other charges levied by the District.

34. Obligation of District to Levy Taxes and Assessments.

(a) If in any year the District fails or is unable to raise sufficient funds by other means, the governing body of the District shall levy upon all property in the District not exempt from taxation, a tax or assessment sufficient to provide for all payments under this contract then due or to become due within that year.

(b) Taxes or assessments levied by the governing body of the District pursuant to subdivision (a) of this article shall be enforced and collected by all officers of the District charged with the duty of enforcing and collecting taxes or assessments levied by the District.

(c) All money collected for taxes or assessments under this article shall be kept in a separate fund by the treasurer or other officer of the District charged with the safekeeping and disbursement of funds of the District, and, upon the written demand of the State, the treasurer or other officer shall pay over to the State all such money in his possession or control then due the State under this contract, which money shall be applied by the State to the satisfaction of the amount due under this contract.

(d) In the event of failure, neglect, or refusal of any officer of the District to levy any tax or assessment necessary to provide payment by the District under this contract, to enforce or to collect the tax or assessment, or to pay over to the State any money then due the State collected on the tax or

assessment, the State may take such action in a court of competent jurisdiction as it deems necessary to compel the performance in their proper sequence of all such duties. Action taken pursuant hereto shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

D. GENERAL PROVISIONS

35. Remedies Not Exclusive. The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

36. Amendments. This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law.

37. Reservation With Respect to State Laws. Nothing herein contained shall be construed as estopping or otherwise preventing the District or any person, firm, association, corporation, or public body or agency claiming by, through, or under the District from contesting by litigation or other lawful means the validity, constitutionality, construction or application of any law of this State, including laws referred to in the Bond Act, or as preventing or prejudicing the amendment or repeal of any such law, and each contract executed by the State for a dependable supply of project water shall contain a similar reservation with respect to State laws.

38. Opinions and Determinations. Where the terms of this contract provide for action to be based upon the opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

39. Contracting Officer of the State. The contracting officer of the State shall be the Director of Water Resources of the State of California and his successors, or their duly authorized representatives. The contracting officer shall be responsible for all discretionary acts, opinions, judgments, approvals, reviews, and determinations required of the State under the terms of this contract.

40. Successors and Assigns Obligated. This contract and all of its provisions shall apply to and bind the successors and assigns of the parties hereto.

41. Assignment. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the District shall be valid unless and until it is approved by the State and made subject to such reasonable terms and conditions as the State may impose. No assignment or transfer of this contract or any part hereof, rights hereunder, or interest herein by the State shall be valid except as such assignment or transfer is made pursuant to and in conformity with applicable law.

42. Waiver of Rights. Any waiver at any time by either party hereto of its rights with respect to a default or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other default or matter.

43. Notices. All notices that are required either expressly or by implication to be given by one party to the other under this contract shall be signed for the State by its contracting officer, and for the District by its General Manager and Chief Engineer and his successors or their duly authorized representatives. All such notices shall be deemed to have been given if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, the District shall address all notices to the State as follows:

Director of Water Resources

P. O. Box 388

Sacramento 2, California

and the State shall address all notices to the District as follows:

The Metropolitan Water District
of Southern California

306 West Third Street

Los Angeles 13, California

44. Maintenance and Inspection of Books, Records, and Reports. During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and make copies of any books, records, or reports of the other party pertaining to this contract or matters related hereto. Each of the parties hereto shall maintain and make available for such inspection accurate records of all of its costs, disbursements and receipts with respect to its activities under this contract and the Bond Act.

45. Contracts to be Uniform. Contracts executed by the State for a dependable supply of project water shall be substantially uniform with respect to basic terms and conditions, except as otherwise provided in this article with respect to payment of the capital cost component of the Transportation Charge. Schedules for all contractors for payment of the capital cost component of the Transportation Charge shall provide as a minimum for payment currently of interest on all allocated capital costs at the project interest rate, and for commencement of payment of the principal of such allocated costs in the year following the year in which capital costs allocated to the respective contractor are first incurred by the State, subject only to (1) through (4) below:

(1) The commencement of payment of the principal of such allocated costs may be deferred up to a maximum of nine (9) years following the year in which such costs are first incurred by the State, to the extent that in the judgment of the State such delay in commencement of payment is necessary to prevent unreasonable financial hardship on the contractor.

(2) The payment of such principal and interest may be made, subject to approval by the State, in installments which vary in magnitude during the project repayment period.

(3) In the case of any contractor to which the delivery of project water for agricultural use as of 1990 is estimated by the State to be in

excess of twenty-five percent (25%) of such contractor's maximum annual entitlement, payment of any portion or all of the capital costs allocated to such contractor which are attributed by the State to agricultural use of project water, together with payment of interest on said capital costs, may be commenced by such contractor in the year of initial water delivery, to the extent that in the judgment of the State such delay in commencing payment is necessary to prevent unreasonable financial hardship on such contractor.

(4) All unpaid interest shall be accumulated at the project interest rate, compounded annually, and added to the contractor's allocated capital costs.

Notwithstanding (1) through (4) above, all contractors shall completely pay their total allocated capital costs, together with interest thereon, within the project repayment period, and payments under the schedule of payment of capital costs for each contractor, including interest over the project repayment period, shall have a present value, when discounted at the project interest rate to the first day of the project repayment period, equal to the present value of the payments under that schedule which would be derived for such contractor on the bases provided in this contract when so discounted at the project interest rate to the same date.

46. Suit on Contract. Each of the parties hereto may sue and be sued with respect to this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

STATE OF CALIFORNIA

By _____
Governor

Approved as to legal form and sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

Attest:

_____
Executive Secretary
The Metropolitan Water District of Southern California

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By _____
Assistant Chief Engineer

Approved as to form and execution:

_____
General Counsel
The Metropolitan Water District of Southern California

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1 TO WATER SUPPLY
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

THIS CONTRACT, made this 28th day of September 1964, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and The Metropolitan Water District of Southern California, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Los Angeles, California, herein referred to as the "District,"

WITNESSETH, That:

WHEREAS, the State is authorized to construct and operate facilities for the storage and conveyance of water, certain of which facilities will make water available to the District; and

WHEREAS, the State and the District have entered into a water supply contract, dated November 4, 1960, providing that the State shall supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, the maximum annual entitlements under all contracts executed by the State on or before December 31, 1963, did not aggregate the amount of the minimum project yield as defined in such water supply contract; and

WHEREAS, the District has elected to become entitled to a certain amount of the uncontracted for portion of the minimum project yield under the provisions of Article 8 of the above-mentioned contract and the State has determined that the District can put the water involved to beneficial use within a reasonable period of time; and

WHEREAS, the District has also pursuant to Article 8 requested to become entitled to an amount of the uncontracted for portion of the minimum project yield not pre-empted under the option provision of Article 8, and the State has considered such request in the light of all similar requests from other contractors and has determined that the District can put the water involved to beneficial use within a reasonable period of time; and

WHEREAS, the State and the District are desirous of making certain other changes and additions to such contract, while otherwise continuing the contract in full force and effect;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Subdivision (m) of Article 1 is amended to read as follows:

(m) "Minimum project yield" shall mean the dependable annual supply of project water to be made available, estimated to be 4,230,000 acre-feet per year, said amount to be determined by the State on the basis of coordinated operation studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon:

(1) The estimated relative proportion of deliveries for agricultural use to deliveries for municipal use for the year 1990, and the characteristic distributions of demands for these two uses throughout the year.

(2) An allowable reduction in the agricultural use portion of the minimum project yield, due to drought, of not to exceed fifty percent (50%) in any one year, nor a total of one hundred percent (100%) of one year's supply in any series of seven consecutive years.

(3) Agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the diversion or utilization of waters of the Delta or streams tributary thereto.

2. Table A entitled "Annual Entitlements The Metropolitan Water District of Southern California," as set forth in Article 6, is amended to read as follows:

TABLE A

ANNUAL ENTITLEMENTS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Year	Total Annual Amount in Acre-feet
1	250,000
2	350,000
3	450,000
4	550,000
5	650,000
6	750,000
7	850,000
8	950,000
9	1,050,000
10	1,150,000
11	1,250,000
12	1,350,000
13	1,450,000
14	1,550,000
15	1,650,000
16	1,750,000
17	1,850,000
18	1,950,000
19	2,000,000
And each succeeding year thereafter, for the term of this contract:	2,000,000

3. Subdivision (b) of Article 7 is amended to read as follows:

(b) The maximum amount of project water to be made available to the District in any one year under this contract shall be 2,000,000 acre-feet, referred to in this contract as the District's maximum annual entitlement, and in no event shall such maximum amount of project water to be made available to the District be increased over this amount, except as is provided for in Articles 8 or 15(c).

4. Subdivision (c) of Article 12 is amended to read as follows:

(c) In no event shall the State be obligated to deliver water to the District through all delivery structures at a total combined instantaneous rate of flow exceeding three thousand six hundred fifty (3,650) cubic feet per second, except as this rate of flow may be revised by amendment of this article after submission to the State of the District's requests with respect to maximum flow capacities to be provided in said delivery structures, pursuant to Article 10.

5. Subdivision (a) of Article 16 is amended to read as follows:

(a) The District's maximum annual entitlement hereunder, together with the maximum annual entitlements of all other contractors, shall aggregate no more than the minimum project yield as defined herein and in no event more than 4,230,000 acre-feet of project water.

6. Article 47 is added to the contract to read as follows:

47. Amendatory Provisions

(a) Surplus Water

Notwithstanding other provisions of this contract, surplus water for agricultural and ground water replenishment use shall be offered to contractors on the following basis. Before surplus water is sold for other than agricultural and ground water replenishment use, each contractor shall have the right, subject to the ability of the State to deliver such water and to the

provisions of the next succeeding paragraph, to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available in any year, in an amount which bears the same ratio to the total amount of surplus water available in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors requesting surplus water: Provided, That if its proportion of such surplus water is not required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. For the purpose of computing the portion of the surplus water for agricultural and ground water replenishment use to which each contractor is entitled, the State shall determine the amounts of water used for agricultural and ground water replenishment use by each contractor in each year: Provided, That each contractor shall furnish certified copies of such records and data concerning the use of water within its boundaries as the State may request.

The provisions of this paragraph shall be applicable only to contractors in the San Joaquin Valley Service Area, contractors in the Southern California Service Area, and contractors in the Central Coastal Service Area. Before surplus water is sold for other than agricultural and ground water replenishment use, each such contractor shall have the right, subject to the ability of the State to deliver such water, to contract for agricultural and ground water replenishment use in accordance with the following formula: contractors in the San Joaquin Valley Service Area shall have a right to contract for sixty-nine percent (69%) of the surplus water available at the Mile 18 Pumping Plant; contractors in the Southern California Service Area shall have a right to contract for twenty-nine percent (29%) of such water; and contractors in the Central Coastal Service Area shall have a right to contract for two percent (2%) of such water: Provided, That within each of these service areas, each contractor shall have the right to contract for agricultural and ground water replenishment use for a portion of the total amount of surplus water available to that service area in any year, in an amount which bears the same ratio to the total amount of surplus water available to the service area in that year as the sum of the annual entitlements, set forth in Table A of this contract, delivered to the contractor for agricultural and ground water replenishment use during the preceding three years bears to the total amount of such annual entitlements delivered for agricultural and ground water replenishment use during the preceding three years of all contractors in that service area requesting surplus water: Provided further, That if its proportion of such surplus water is not

required by or cannot be delivered to any contractor, such amount of additional surplus water shall be offered to other contractors for agricultural and ground water replenishment use. During the first three years in which project water is delivered to a contractor, the State shall determine the amount of surplus water which the contractor may obtain based on the contractor's maximum annual entitlement and the estimated percentage of its annual entitlement to be delivered for agricultural and ground water replenishment use; but quantities so determined shall not exceed the contractor's annual entitlement for that year. As used in this paragraph, "contractors in the San Joaquin Valley Service Area" shall mean: Devil's Den Water District, Dudley Ridge Water District, Empire West Side Irrigation District, Hacienda Water District, Kern County Water Agency, and Tulare Lake Basin Water Storage District; "contractors in the Southern California Service Area" shall mean: Antelope Valley-East Kern Water Agency, City of West Covina, Coachella Valley County Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Irrigation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Gorgonio Pass Water Agency, The Metropolitan Water District of Southern California, Upper Santa Clara Valley Water Agency, and Ventura County Flood Control District; "contractors in the Central Coastal Service Area" shall mean: San Luis Obispo County Flood Control and Water Conservation District and Santa Barbara County Flood Control and Water Conservation District.

The provision of this paragraph shall be applicable only to a contractor to which the delivery of project water for municipal use as of 1990 is estimated by the State to be in excess of fifty percent (50%) of such contractor's maximum annual entitlement. For the purpose of fixing such contractor's right to delivery of surplus water, water from a watershed not tributary to the contractor's area which is delivered within the contractor's boundaries for agricultural or ground water replenishment use shall be deemed to be part of the contractor's annual entitlement delivered for such use in computing the quantity of surplus water to which the contractor is entitled under this subdivision: Provided, That the contractor shall not be deemed to have used more than its annual entitlement, as set forth in Table A, for such use. Surplus water shall be deemed to be used by the contractor for agricultural or ground water replenishment use if an equal quantity of water imported from a watershed not tributary to the contractor's area is delivered within the contractor's boundaries for such use.

In providing for the delivery of surplus water to contractors pursuant to this subdivision, the State shall refuse to deliver such surplus water to any contractor to the extent that the State determines that such delivery would tend to encourage the development of an economy within the area served by such contractor which would be dependent upon the sustained delivery of water in excess of the contractor's maximum annual entitlement. In no event shall the quantity of surplus water made available in any year prior to 1986 to any contractor under this subdivision

exceed the difference between its annual entitlement for that year and its maximum annual entitlement, except that, subject to provisions of the immediately preceding sentence, with respect to any contractor which under Table A of its contract is scheduled to receive its maximum annual entitlement prior to 1978, the quantity of surplus water made available in any year prior to 1986 under this subdivision may exceed such difference by not more than 3,000 acre-feet.

Surplus water for agricultural and ground water replenishment use shall be furnished at prices which will return to the State the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge incurred in such service of surplus water as determined by the State. Surplus water delivered under this subdivision shall be limited to the quantity of water which can be delivered without adversely affecting the reliability, or increasing the cost, of service to meet annual entitlements. A surcharge shall be added to the rate for surplus water furnished to excess land in an amount and under the conditions specified in Article 30 of this contract. Contracts made pursuant to this subdivision may exceed one year in duration.

Except as herein modified, the provisions of Article 21 of this contract are hereby confirmed, and all surplus water not specifically allocated pursuant to this subdivision shall be sold under the provisions of Article 21. Nothing in this subdivision shall limit the right of the District to increase its annual entitlements as otherwise provided in this contract.

As used in this subdivision "ground water replenishment use" shall mean the use of project water exclusively by direct application to spreading basins, streambeds, or through other means of direct artificial recharge for the purpose of replenishing overdrawn ground water basins.

(b) Surcharge Credit

Notwithstanding other provisions of this contract, the State may allow a credit to each contractor not to exceed the surcharge paid by such contractor.

For the purpose of this contract, the surcharge credit shall be determined and applied in the following manner:

(1) The State shall, in each year after the year of initial water delivery, allow a credit to the District in the amount of the surcharge forwarded by the District to the State in the preceding year.

(2) The District shall not establish water rates, or tax or assessment rates, so as to cause the surcharge credit to be passed on to water users in a manner which will bring about a greater reduction in the cost per acre-foot of project water put to use on excess land than such cost of project water put to use on other than excess land.

This subdivision 47(b) shall be separable from all other provisions in this contract, and in the event that any or all of the provisions of this subdivision are in any manner or to any extent held to be invalid by final judgment or decree of a court of competent jurisdiction, such holding and such invalidity shall in no way affect the validity of, or make invalid, any other provision of this contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form and sufficiency:

Chief Counsel
Department of Water Resources

Attest:

Executive Secretary
The Metropolitan Water District of Southern California

Approved as to form and execution:

General Counsel
The Metropolitan Water District of Southern California

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By _____
Director

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By _____
General Manager and Chief Engineer

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 2 TO WATER SUPPLY
CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

THIS CONTRACT, made this 23rd day of February 1965, pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State", and The Metropolitan Water District of Southern California, a public agency in the State of California, duly organized, existing, and acting pursuant to the laws thereof with its principal place of business in Los Angeles, California, herein referred to as the "District",

WITNESSETH, That:

WHEREAS, the State and the District have entered into a water supply contract, dated November 4, 1960, as amended September 28, 1964, providing that the State will supply certain quantities of water to the District, and providing that the District shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payment; and

WHEREAS, Article 12(b) of such contract provides that the State shall not be obligated to deliver to any contractor from

the project transportation facilities in any one month of any year a total amount of project water greater than certain named percentages of such contractor's annual entitlement for that year, but said article further provides that such percentages may be revised by amendment of Article 12(b); and

WHEREAS, Article 17(b) of such contract provides that the State shall design and construct the project transportation facilities so as to provide certain capacity in such facilities; and

WHEREAS, Article 24(d) of such contract provides a procedure to be followed in the event that any contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such contractor in excess of the percentage amounts specified in said Article 12(b); and

WHEREAS, the District has requested that such contract be amended to provide for excess capacity in certain reaches of project transportation facilities; and

WHEREAS, the State is willing to approve such request upon the terms and conditions of this agreement; and

WHEREAS, District is willing to advance to the State funds sufficient to cover any additional cost of the project transportation facilities occasioned by the District's request, as provided in Article 24(d); and

WHEREAS, it is the intent of the State and the District that no part of such additional costs shall be borne by any contractor other than the District;

NOW THEREFORE, it is mutually agreed that the following changes and additions are hereby made to the District's water supply contract with the State:

1. Subdivision (b) of Article 12 is amended to read as follows:

(b) In no event shall the State be obligated to deliver to any contractor through all delivery structures provided for such contractor a total amount of project water in any year greater than the contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities downstream from Pumping Plant VI in any one month of any year a total amount of project water greater than eleven percent (11%) of such contractor's annual entitlement for that year; nor to deliver to any contractor from the project transportation facilities upstream from said Pumping Plant VI in any one month of any year a total amount of project water greater than the sum of eighteen percent (18%) of that portion of such contractor's annual entitlement for that year to be devoted to agricultural use, as determined by the State, and eleven percent (11%) of that portion of such contractor's annual entitlement for that year to be devoted to municipal use, as determined by the State: Provided, That if the State delivers project water to any contractor through delivery structures both downstream and upstream from said Pumping Plant VI, the foregoing limitations on monthly deliveries to such contractor shall be based on an appropriate apportionment of such contractor's annual entitlement for that year to the respective portions of such contractor's service area to which delivery is made from the project transportation facilities downstream from said Pumping Plant VI and from the

project transportation facilities upstream therefrom: Provided further, That the respective percentages set forth hereinabove may be revised by amendment of this subdivision after submission to the State of the respective contractor's requests with respect to maximum monthly deliveries, such revision being subject to approval by the State and subject to advancement to the State by the respective contractor of funds sufficient to cover any additional costs of the project transportation facilities occasioned thereby, as such costs are determined pursuant to Article 24(d): Provided further, That with respect to deliveries to the District from the project transportation facilities downstream from Pumping Plant VI the percentage of eleven percent (11%) is revised to the extent provided in Article 47(c) of this contract.

2. Subdivision (b) of Article 17 is amended to read as follows:

(b) The State shall design and construct the project transportation facilities so as to provide for each reach thereof, including reservoirs, the capacity necessary to enable delivery of project water in each year to the District and to other contractors in the maximum monthly amounts and at the locations, times, and maximum rates specified or provided for in their respective contracts for such year, and shall include in each such reach such capacity as is economically justified in the judgment of the State to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes. Subject to Articles 6(b), 7(b), 12(b),

and 12(c), the capacity so to be provided by the State for each reach of the project transportation facilities necessary for transporting water to the District shall be sufficient to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's annual entitlement for the respective year and, upon completion of the project facilities, to enable delivery to the District in each month of any year of an amount of water up to but not exceeding eleven percent (11%) of the District's maximum annual entitlement: Provided, That regulatory storage reservoirs included in the project transportation facilities may be utilized in conjunction with conveyance capacity provided in said facilities for delivery to the District of the foregoing monthly amounts, subject to the retention at all times, except during periods of emergency, in each reservoir on the East Branch Aqueduct and the West Branch Aqueduct, respectively, of an amount of stored water reasonably sufficient to meet emergency requirements of the District for project water during the respective year: Provided further, That excess capacity shall be provided in accordance with Article 47(c) of this contract.

3. Subdivision (c) of Article 47 is added to the contract to read as follows:

(c) Excess Capacity

The State shall provide: (i) in each reach of the project transportation facilities from Kettleman City to the South Portal of the Tehachapi Tunnels excess capacity in the amount of two hundred thirty-eight (238) cubic feet per second, which consists of capacity sufficient to carry in any one month of any year two-thirds of one percent (2/3%) of the District's maximum annual

entitlement including in such increment for each reach capacity required for scheduled outages; and (ii) in each reach of the project transportation facilities from the South Portal of the Tehachapi Tunnels to the West Branch Terminal Reservoir excess capacity in the amount of eight hundred nine (809) cubic feet per second, which consists of capacity sufficient to carry in any one month of any year two and twenty-seven one hundredths percent (2.27%) of the District's maximum annual entitlement including in such increment for each reach capacity required for scheduled outages: Provided, That no such excess capacity shall be provided in regulatory storage reservoirs included in such reaches. To the extent made possible by the excess capacity provided in accordance with the next preceding sentence, the State shall comply with requests of the District to deliver from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year. In no event shall the State be obligated to deliver to the District from the project transportation facilities downstream from Pumping Plant VI (Tehachapi Pumping Plant) in any one month of any year a total amount of project water greater than eleven percent (11%) of the District's annual entitlement for that year except insofar as the excess capacity provided in accordance with the first sentence of this subdivision (c) makes possible such greater delivery.

4. Subdivision (d) of Article 47 is added to the contract to read as follows:

(d) Advance Payment for Excess Capacity

The District shall each year furnish to the State, in advance of the construction of the aqueduct reaches from Kettleman City to South Portal Tehachapi Tunnels and South Portal Tehachapi Tunnels to West Branch Terminal Reservoir, funds sufficient to cover the costs of providing the excess capacity described in subdivision (c) of this article. Such funds shall be in an amount which bears the same proportion to the total capital costs of each such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. The State shall, on or before July 1 of each year, furnish the District with a written statement of the charges to the District pursuant to this subdivision for the next year: Provided, That the first such charge shall include any accumulated capital costs attributable to such increased capacity in prior years, together with interest thereon at the project interest rate compounded annually. The District shall pay to the State on before January 1 of each year one-half of such charge and shall pay the remaining one-half of such charge on or before July 1 of that year.

5. Subdivision (e) of Article 47 is added to the contract to read as follows:

(e) Allocation of Capital Costs of Reaches in Which Excess Capacity is Provided

The total capital costs of each aqueduct reach in which excess capacity is provided for the District pursuant to

subdivision (c) of this article shall be allocated among all contractors entitled to delivery of project water from or through the reach in accordance with the provisions of Article 24(d). The values and amounts so allocated shall be subject to redetermination by the State in accordance with Article 28. Such redetermination shall include, without limitation as to other proper adjustments, a recalculation, based on actual costs incurred by the State, of both the estimated costs which would have been incurred had no excess capacity been provided and of the projected actual costs.

6. Subdivision (f) of Article 47 is added to the contract to read as follows:

(f) Reconciliation of Advance Payments with Cost Allocation

In the event that the funds advanced by the District pursuant to subdivision (d) of this article are more or less than the costs allocated to the District pursuant to subdivision (e) of this article, the account of the District under the capital cost component shall be credited or debited accordingly, with interest thereon from the date of such advance at the applicable average interest rate of the fund in which such money is invested.

7. Subdivision (g) of Article 47 is added to the contract to read as follows:

(g) Allocation of Minimum Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided

Subject to the provisions of subdivision (i) of this article, the minimum operation, maintenance, power, and replacement

costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (c) of this article shall be allocated among contractors by the proportionate use of facilities method of cost allocation, in accordance with the provisions of Article 25: Provided, That in making such allocation with respect to all such costs other than those for any connected-load charges for power the capacity provided in each reach for the transport and delivery of project water to the District and the total capacity provided in each reach shall include the excess capacity provided pursuant to subdivision (c) of this article.

8. Subdivision (h) of Article 47 is added to the contract to read as follows:

(h) Allocation of Variable Operation, Maintenance, Power, and Replacement Costs of Reaches in Which Excess Capacity is Provided

Subject to the provisions of subdivision (i) of this article, the variable operation, maintenance, power, and replacement costs for the respective year of each aqueduct reach of the project transportation facilities in which excess capacity has been provided pursuant to subdivision (c) of this article shall be allocated among contractors in accordance with the provisions of Article 26: Provided, That the District shall make such additional payments with respect to such variable component as may be necessary in order that the present value, when discounted at the project interest rate to the first day of the project repayment period, of payments of any other contractor under the variable operation, maintenance, power, and replacement component of the Transportation Charge will not be greater than the present value, when discounted

at the project interest rate to the first day of the project repayment period, of payments under that component of the Transportation Charge that would have been derived for such contractor on the bases provided in its contract in the absence of subdivisions (c) to (i), inclusive, of this article in this contract.

9. Subdivision (i) of Article 47 is added to the contract to read as follows:

(i) Connected-Load Charges for Power

The connected-load charges for power resulting from the excess capacity provided pursuant to subdivision (c) of this article shall be paid entirely by the District and such costs shall not be included in the minimum operation, maintenance, power, and replacement component or the variable operation, maintenance, power, and replacement component of the Transportation Charge to be allocated among contractors: Provided, That such costs shall be paid by the District at the same times and under the same procedures as the minimum operation, maintenance, power, and replacement component as provided in Article 29.

IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first above written.

Approved as to legal form
and sufficiency:

For P. A. Towner
Chief Counsel
Department of Water Resources

Attest:

Norton L. Norris
Executive Secretary
The Metropolitan Water District
of Southern California

Approved as to form
and execution:

Charles S. Cooper Jr.
General Counsel
The Metropolitan Water District
of Southern California

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By W. E. Warne
Director

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

By R. B. Skinner
General Manager and
Chief Engineer

TABLE 1

GENERAL DATA RELATING TO WATER SUPPLY CONTRACTORS

Agency	Location (county) and predominant type of water service	Original maximum annual entitlement (acre-feet)	Increase in maximum annual entitlement by amendment (acre-feet)	Maximum annual entitlement as of May 1, 1965 (acre-feet)	Area as of July 1, 1964 (acres)	Estimated population as of July 1, 1964
Alameda County Flood Control and Water Conservation District, Zone 7	Alameda - Urban	40,000	6,000	46,000	272,000	39,700
Alameda County Water District	Alameda - Urban	42,000	0	42,000	64,000	100,000
Antelope-Valley-East Kern Water Agency	Los Angeles, Kern & Ventura - Urban	120,000	18,400	138,400	1,503,300	86,800
City of West Covina	Los Angeles - Urban	10,000	1,500	11,500	9,100	62,200
City of Yuba City	Sutter - Urban	8,300	1,300	9,600	2,000	13,600
Coachella Valley County Water District	Riverside, Imperial & San Diego - Urban	20,000	3,100	23,100	617,000	52,000
County of Butte	Butte - Urban	27,500	0	27,500	1,075,600	92,000
Crestline-Lake Arrowhead Water Agency	San Bernardino - Urban	5,000	800	5,800	45,800	7,900
Desert Water Agency	Riverside - Urban	33,000	5,100	38,100	163,000	22,000
Devil's Den Water District	Kings & Kern - Agricultural	11,000	1,700	12,700	8,700	Less than 100
Dudley Ridge Water District	Kings - Agricultural	50,000	7,700	57,700	47,100 1/	Less than 50
Empire West Side Irrigation District	Kings - Agricultural	3,000	0	3,000	7,700	Less than 100
Hacienda Water District	Kings - Agricultural	8,500	0	8,500	15,300	Less than 50
Kern County Water Agency	Kern - Agricultural	1,000,000	153,400	1,153,400	4,379,400 3/	293,200 4/
Littlerock Creek Irrigation District	Los Angeles - Urban	2,000	300	2,300	11,300	1,300
Mojave Water Agency	San Bernardino - Urban	44,000	6,800	50,800	2,733,000	68,000
Napa County Flood Control and Water Conservation District	Napa - Urban	25,000	0	25,000	500,500	74,400
Oak Flat Water District	Stanislaus - Agricultural	5,700	0	5,700	2,200	Less than 50
Palmdale Irrigation District	Los Angeles - Urban	15,000	2,300	17,300	73,000	20,000
Plumas County Flood Control and Water Conservation District	Plumas - Urban	2,700	0	2,700	1,657,100	12,500
San Bernardino Valley Municipal Water District	San Bernardino - Urban	90,000	8,000	98,000	150,000	275,000
San Gabriel Valley Municipal Water District	Los Angeles - Urban	25,000	3,800	28,800	16,000	145,900
San Gorgonio Pass Water Agency	Riverside - Urban	15,000	2,300	17,300	131,000	27,000
San Luis Obispo County Flood Control and Water Conservation District	San Luis Obispo - Urban	25,000	0	25,000	2,128,600	95,700
Santa Barbara County Flood Control and Water Conservation District	Santa Barbara - Urban	50,000	7,700	57,700	1,756,800	231,000
Santa Clara County Flood Control and Water District	Santa Clara - Urban	88,000	12,000	100,000	849,300	853,500
Solano County Flood Control and Water Conservation District	Solano - Urban	42,000	0	42,000	529,300	157,300
The Metropolitan Water District of Southern California	Los Angeles, San Diego, Riverside, San Bernardino, Orange, & Ventura - Urban	1,500,000	500,000	2,000,000	2,825,300	9,200,000
Tulare Lake Basin Water Storage District	Kings & Tulare - Agricultural	90,000	20,000	110,000	193,000	Less than 50
Upper Santa Clara Valley Water Agency	Los Angeles - Urban	23,000	3,500	26,500	86,100	26,000
Ventura County Flood Control District	Ventura - Urban	20,000	0	20,000	965,000 2/ 3/	141,300 2/
Totals		3,435,700	770,700	4,206,400	22,817,500	12,098,500

1/ Dudley Ridge Water District has initiated proceedings for excluding 17,427 acres.

2/ The following values have been deleted from the Ventura County Flood Control District as they have been included in the Metropolitan Water District of Southern California service area: Area, 208,000 acres; population, 142,000.

3/ 6,000 acres have been deleted from the Ventura County Flood Control District and are included in the Antelope Valley-East Kern Water Agency service area.

4/ The following values have been deleted from the Kern County Water Agency as they have been included in the Antelope Valley East Kern Water Agency service area: Area, 850,700 acres; population, 26,000.

TABLE 2

TABULATION OF WATER SUPPLY CONTRACTORS
AND ITEMS OF CONTRACT INFORMATION UNIQUE TO EACH

Agency	Date of contract (Preamble)	Place of business (Preamble)	Year of initial delivery [Article 6(a)]	Date by which agency to furnish delivery structure requests [Article 10(b)]	Instantaneous flow rate in cfs [Article 12(c)]
* Alameda County Flood Control and Water Conservation District, Zone 7	November 20, 1961	Hayward	USBR 1962 Project 1967	December 31, 1961	80
* Alameda County Water District	November 29, 1961	Fremont	USBR 1962 Project 1967	December 31, 1961	84
Antelope Valley-East Kern Water Agency	September 20, 1962	Lancaster	1972	June 30, 1963	220
City of West Covina	December 2, 1963	West Covina	1972	June 1, 1964	17
City of Yuba City	December 30, 1963	Yuba City	1981	December 1, 1978	60
Coachella Valley County Water District	March 29, 1963	Coachella	1972	June 1, 1964	37
County of Butte	December 26, 1963	Oroville	1968	January 1, 1966	200
Crestline-Lake Arrowhead Water Agency	June 22, 1963	Crestline	1972	July 31, 1963	9
Desert Water Agency	October 17, 1962	Palm Springs	1972	June 30, 1963	60
Devil's Den Water District	December 20, 1963	Fresno	1968	February 1, 1964	33
Dudley Ridge Water District	December 13, 1963	Corcoran	1968	February 1, 1964	150
Empire West Side Irrigation District	December 30, 1963	Lemoore	1968	February 1, 1964	9
Hacienda Water District	December 20, 1963	Corcoran	1968	February 1, 1964	26
Kern County Water Agency	November 15, 1963	Bakersfield	1968	February 1, 1964	2820
Littlerock Creek Irrigation District	June 22, 1963	Littlerock	1972	June 30, 1963	3
Mojave Water Agency	June 22, 1963	Victorville	1972	June 30, 1963	80
Napa County Flood Control and Water Conservation District	December 19, 1963	Napa	1980	February 1, 1964	46
Oak Flat Water District	March 23, 1965	Westley	1968	March 23, 1965	17
Palmdale Irrigation District	February 2, 1963	Palmdale	1972	June 20, 1963	21
Plumas County Flood Control and Water Conservation District	December 26, 1963	Quincy	1967	March 1, 1965	8.25
* San Bernardino Valley Municipal Water District	December 30, 1960	San Bernardino	1972	June 30, 1963	165
San Gabriel Valley Municipal Water District	November 3, 1962	Alhambra	1972	June 30, 1963	35
San Gorgonio Pass Water Agency	November 16, 1962	Riverside County	1972	June 1, 1964	21
San Luis Obispo County Flood Control and Water Conservation District	February 26, 1963	San Luis Obispo	1980	January 1, 1975	35
Santa Barbara County Flood Control and Water Conservation District	February 26, 1963	Santa Barbara	1980	January 1, 1975	83
* Santa Clara County Flood Control and Water Conservatinn District**	November 20, 1961	San Jose	USBR 1964 Project 1967	December 31, 1961	180
Solano County Flood Control and Water Conservation District	December 26, 1963	Fairfield	1980	February 1, 1964	77
* The Metropolitan Water District of Southern California	November 4, 1960	Los Angeles	1972	June 30, 1963	2700
Tulare Lake Basin Water Storage District	December 20, 1963	Corcoran	1968	February 1, 1964	270
Upper Santa Clara Valley Water Agency	April 30, 1963	Newball	1972	June 30, 1963	42
Ventura County Flood Control District	December 2, 1963	Ventura	1980	June 1, 1964	37

* Contracts of these agencies only reproduced in full.

** The name was changed to Santa Clara County Flood Control and Water District in 1964.

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